FINANCIAL TIMES

No. 28,776

Tuesday May 18 1982

PUBLISHED IN LONDON AND FRANKFURT

CONTINENTAL SELLING PRICES: AUSTRIA Sch. 15; BELGIUM Fr 35; DENMARK Kr 5.50; FRANCE Fr 5.00; GERMANY DM 2.0; ITALY L 1,000; NETHERLANDS Fl 2.25; NORWAY [illegible]; SPAIN Pts 85; SWEDEN Kr 6.00; SWITZERLAND Fr 2.0; EIRE 50p; MALTA 30c

NEWS SUMMARY

GENERAL

Gulf war warning given by Haig

Iran's gains in the war with Iraq have increased security fears for the oil producing Gulf states and Western nations, said U.S. Secretary of State *Alexander Haig*.

Speaking to Nato ministers in Luxembourg he aslo said tension along the Israel-Lebanon border was adding to the volatile Middle East situation.

The ministers also heard Nato has prepared new ideas for the deadlocked 19-nations' talks on troop reductions in central Europe. Nato ministers at odds, Page 3

Cars fear

The UK motor industry is worried about growing stocks of Japanese cars in Britain and will raise the matter in Tokyo talks next week. Page 8

PLO angered

The PLO in Beirut described Zaire's resumption of diplomatic relations with Israel as a "stab in the back."

Jobs plan

Prince Charles said the Duchy of Cornwall is financing the conversion of several old estate farm buildings into workshops, to create employment. Page 9

Cheaper flights

New Civil Aviation Authority rules for charter flights between the UK and Western Europe, could lead to cheaper air travel to holiday destinations. Page 9

Border talks

India and China have renewed attempts to end their border dispute, which has been running for 20 years. High stakes in India, Page 4

Mugabe visit

Zimbabwe's Premier Robert Mugabe started an 18-day trip during which he will visit Britain and six other western European countries. Why Mugabe needs West, Page 18

Angola deaths

South African aircraft killed seven civilians and six soldiers in raids on a power station and *military targets*, the Angolan News Agency said. Page 4

Floods kill 379

The death toll in floods in China's Guangdong province is 379, according to newspaper reports. More than 1m people have been left homeless.

Chinese reunion

The brother-in-law of China's last emperor returned *to the* mainland from Taiwan. Zhao Qifan was reunited with his wife *and son, whom he had not seen* since 1949.

Resistance grows

Organised resistance to Soviet occupation is developing in *Afghanistan, according to an* Afghan guerrilla commander in Sweden.

Ringing wet

A family from Mildenhall, Wilts, *has* bought an old telephone kiosk from British Telecom to convert into a shower.

Briefly . . .

Lions killed a woman hospital *patient and* badly mauled a nurse at a safari park, near Liege, Belgium.

A 12-hour air traffic controllers' strike, over pay, halted nearly all flights in Italy. Page 3

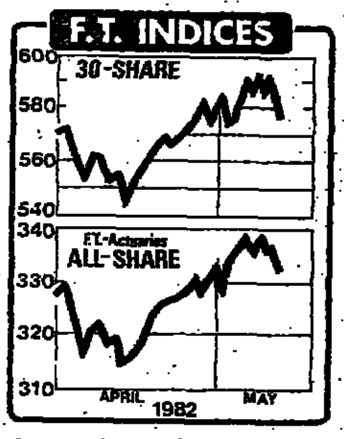
Quads were born at Rochford Hospital in Essex.

Derby favourite Golden Fleece *was reported lame* by his stable and now seems doubtful. Racing, Page 15

BUSINESS

Equities off 14.8; gilts lose 0.19

● EQUITIES reacted to fears of a major clash in the Falklands.



The FT 30-share index was down 14.8 at 575.8. The FT-Actuaries All-Share index fell 1.2 per cent to 332.73. Page 31

● GILTS: *the* Government Securities index rose 0.19 to 69.34. Page 31

● WALL STREET was 11.03 down at 846.75 near the close. Page 30

● STERLING fell 60 points in London to close at $1.819. It dropped to DM 4.19 (DM 4.21) and FFr 10.895 (FFr 11), but improved to SwFr 3.5575 (SwFr 3.55). *Its trade-weighted index* was 90.2 (90.4). Page 32

● DOLLAR fell to close in London at DM 2.3015 (DM 2.306) but rose to SwFr 1.954 (SwFr 1.944) and Y236.6 (Y235). Its trade-weighted index was 112.6 (112.8). Page 32

● *GOLD rose $2.875 an ounce in* London to $338. In New York the Comex May close was $334.6 ($331.6). Page 32

● THE WORLD is in danger of being sucked into a downward spiral of economic stagnation by excessive anti-inflation policies and high arms spending says an unpublished UN report. Back Page

● SOVIET UNION increased deposits in Western banks by $3.9bn (£2.1bn) in the final quarter of last year. Back Page

● RETAIL SALES fell 0.6 per cent in April compared with March. Back Page

● DOUBLING of unemployment in the last two years has kept private sector wages 17 per cent lower than they would otherwise have been, says a study by the Economist Intelligence Unit. Page 8

● MOBIL *is* close to an 8 per cent pay deal with its 500 tanker drivers and depot workers. Page 10

● INLAND REVENUE is expected to confirm plans to order computers worth £50m from ICL. Back Page

● NORTHERN ENGINEERING Industries is to supply Taiwan with nuclear power station equipment worth more than £80m. Back Page

● IMI, the metals and *engineering group*, announced plans for a major commercial property development at its headquarters near Birmingham. Page 8, Developing factory wasteland, Page 23

● BOC GROUP's taxable profits rose to £44.9m (£33.4m) for the six months to March 31. Page 20, Lex Back Page

● UNILEVER reported higher pre-tax profits of £172.5m *(£171m) for the first quarter.* Page 20, Lex, Back Page

● WHITBREAD'S taxable profits for the year to February 27 increased £6.8m to £73.19m. Page 20, Lex, Back Page

● LAND SECURITIES Investment Trust increased pre-tax *profits to £67.4m (£54.87m) for* the year to March 31. Page 20; Lex, Back Page

Britain making 'last bid' for Falklands peace—Thatcher

BY PETER RIDDELL, POLITICAL EDITOR

MRS THATCHER said yesterday that Britain was making one last attempt at the United Nations this week to find a peaceful settlement to the Falklands crisis, otherwise force will be used to expel the Argentine troops from the islands.

The Prime *Minister* was, however, gloomy about the chances of a diplomatic solution. After noting that talks *in the last six* weeks had "got nowhere," she felt that "if the Argentines really wanted to withdraw, if they had *really* wanted to obey the Security Council resolution, we should have seen some signs by now."

She hoped the actions of the task force, including the recent *commando raid*, would have "some influence" on the Argentine Junta and perhaps bring nearer a settlement.

Mrs Thatcher also indicated that there is no more flexibility in Britain's negotiating position. "We have gone as far as we can. They are the invaders. It is up to them. If they want *peace, and I do, they can have* it by withdrawing."

Her comments, in an inter*view* on Independent Radio News, confirmed the expectations of most MPs that the chances for a peaceful outcome are slipping away and that the Government is steeling itself to order an intensification of mili*tary pressure, including* possibly a landing on the islands.

Senior ministers still appear to be apprehensive about the dangers involved in any escalation of the military conflict and, while sceptical about Argentine intentions, they are making one last effort to seek a deal, while ensuring that Argentina is blamed for any breakdowns.

Mrs Thatcher said in the interview that there was "*always time to pull back*. And that is why our ambassador (Sir Anthony Parsons) has gone back to the UN this week to have one more go."

Continued on Back Page

Falklands crisis, Page 4

***President Francois Mitterrand* of France yesterday underlined his country's solidarity with Britain over the Falklands crisis during 2¼ hours of "fruitful and friendly" talks in London with Mrs Thatcher, according to British officials.**

The two are seen (right) *outside No. 10 Downing* Street. The President said, however, that he had also condemned British attempts *to block an increase in EEC* farm prices until agreement was reached on Britain's EEC budgetary contributions.

Argentina tries war of nerves

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

AFTER A weekend of intense military activity in the Falklands conflict, the Defence Ministry in Londo nsaid that Britain's naval taskforce yesterday continued to enforce the air and sea blockade of the South Atlantic islands.

However, while the Ministry said that yesterday had seen no operational contact, it appeared that both sides were endeavouring to keep up the military pressure against the background of fading hopes for a diplomatic solution *to the crisis*.

Early yesterday Argentine aircraft were reported to have been sighted by HMS Hermes, one of the two aircraft carriers with the task force. The carrier immediately went to action stations, according to Michael Nicholson, the ITN reporter aboard the carrier.

Though there was no confirmation from the Defence Ministry it seems that *the Argentine sortie was designed*, as others have been, to exert maximum psychological pressure on ship and aircrews.

Reporters on both carriers said recently that most daylight hours are *spent uncomfortably at action stations.* This appears to be Argentina's answer to the British attempt to tighten the military screw by harassing and isolating the estimated 7.00 to 9,000 Argentine garrison on the islands, with frequent attacks on airstrips and bombardments of military installations.

Yesterday the Ministry confirmed that two helicopters had been lost on April 22 in the recapture of South Georgia. There were no casualties and no details of the action, assumed to have occurred in early landings of special air service (SAS) personnel.

It was also announced yesterday that a SeaHarrier jump jet training at the naval base at *Yeovilton had crashed* and the pilot was receiving medical attention. Virtually every one of the Navy's estimated 28 Sea Harriers are in or shortly to go to the Falklands.

CBS acquires Cassell publishing group

BY DAVID LASCELLES IN NEW YORK

CBS, the U.S. broadcasting and publishing group, yesterday announced that it had bought Cassell, the British publisher of educational, medical and religious books. Value of the deal was not disclosed, although its suddenness caused some dismay among Cassell's staff.

The previous owner of Cassell was Macmillan, the U.S. publishing company based in New York.

CBS said the acquisition was made to strengthen the group's *position in the international* publishing market. It sees this as a significant growth area because of population trends which would require higher spending on published material in a number of countries.

Dr Stanley Frank, head of CBS's educational and professional publishing division, said: "*This move will solidify our position as the world's leading* medical publisher, and accele*rate our entrance into the* English-as-a-foreign-language market and strengthen our product base in the educational market."

CBS will acquire with Cassell *the company's offshoots* Bailliere Tindall, a medical publisher, and Geoffrey Chapman which publishes religious texts. CBS will also become UK distributor of Berlitz phrase books and guides, and the exclusive distributor agency for Cassell dictionaries.

CBS has been a force in the U.S. publishing *business* for some time. Recently it has been pulling out of the mass market *to concentrate on* educational and professional publishing and consumer magazines. It already owns Holt, Rinehart and Winston, a U.S. publisher, and a number of specialty publishers.

Duncan Campbell-Smith adds: Cassell moved to new premises in London in March following a sharp contraction of the company in 1980-81 when it discontinued or ran down its fiction and art books divisions.

The reorganisation has reduced Cassell's publishing staff by half to about 90.

Union representatives of the staff said yesterday they had received only short notice of the March relocation and were shocked by the suddenness with which the CBS takeover *had been announced.*

Since February, the law has required certain background information on company takeovers to be supplied to employees affected by any prospective change of ownership.

Union in HGV test stations bid

BY JOHN LLOYD, LABOUR EDITOR

A CIVIL servants' union plans to bid for the 91 heavy goods vehicles testing stations the Government intends to privatise —and hold them in trust for a return to the public sector.

The bid will come from the Institution of Professional Civil Servants, the 100,000-strong union which organises Government scientists, engineers and other specialists. The sale of the stations is expected within a few months.

Mr William McCall, the union's general secretary, told the annual conference in Bournemouth yesterday: "If the Government insists on privatisation despite all our efforts, we will be ready to set up a non-profit-making company to hold the stations in trust and to see that the service continues to run in an efficient, objective and impartial way, and at the first opportunity we will return them to the public service where they properly belong."

The union's intention could set a precedent for the purchase of public assets by other unions to demonstrate their commitment to the public sector.

The official valuation put on the stations is £38.5m, a rough guide *to their market value* if sold freehold. On a leasehold sale—a more likely arrangement —the price might be between £6m and £8m.

The institution has already held detailed discussions with banks on raising loans for the purchase, and has received assurances that funds could be made available.

Union officials say the banks see the purchase as possibly a *profitable venture. The stations*, which charge a £16.50 fee for each heavy goods vehicle or public service vehicle tested, have a yearly turnover of £14m. It is believed that they at least break even, and they may make as much as £1m profit annually.

The IPCS organises about half of the stations' 1,000 staff, *with the Transport and General* Workers Union and, to a lesser extent, the Amalgamated Union of Engineering Workers organising grades. The institution is to hold talks on the venture with the TGWU next month, under the auspices of the TUC's construction industry committee.

Mr Bill Brett, the union's assistant general secretary, said yesterday the Government was determined to continue with the sale, in spite of protests from the Road Haulage Association and the Passenger and Freight Transport Associations. It had not committed itself to selling off all the stations to a single bidder, though it had pledged that it would seek parliamentary approval for a bidder *or bidders. He said only one* bidder—Lloyd's Register—had so far shown interest.

The union intends to return the stations to any future Government—most probably, it believes, a Labour Government —which would take them back into the public sector.

Talks with Labour front bench spokesmen have convinced the union that the ambiguity surrounding Labour's policy on compensation for re-nationalised assets would not affect it.

Conference report, Page 10

Big companies to benefit in oil licence round

BY RAY DAFTER, ENERGY EDITOR

MAJOR OIL corporations are to be favoured in a new round of UK exploration *licences* announced by the Government yesterday.

The Energy Department intends to licence about 85 blocks in various regions of the UK Continental Shelf. A few blocks probably between 10 and 20, in the oil-producing region of the North Sea are to be auctioned in a move to raise instant cash for the Treasury.

Many blocks on offer will be in unproven, deep-water areas where exploration and development ventures will be costly and *technically* challenging.

It was being stressed in the industry last night that small, independent companies would probably be squeezed out of both these frontier areas and the auctioned blocks by the bigger, cash-rich corporations.

Mr Ted Rowlands, Opposition energy spokesman, said in the Commons that the auction would return North Sea licences into the hands of multinational corporations and *would* be contrary to the concept of development of small UK *companies*.

This was a concept fostered in the previous seventh round of licences and which gave rise to many exploration groups.

Mr Nigel Lawson, Energy Secretary, said: "In today's climate some smaller companies may have difficulty in raising the finance needed to participate. Nevertheless, I hope there will be a fair smattering of licences granted to small companies."

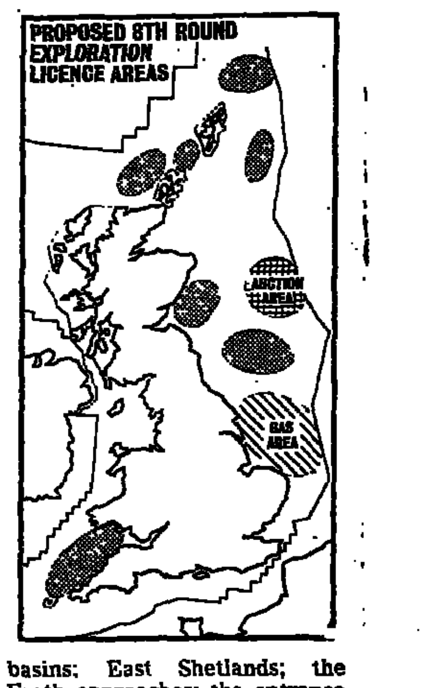
Between 150 and 200 blocks are to be put on offer only about half of which are expected to be taken up. Among the most attractive of these will be the auctioned concessions.

The Government may well hope it can reap a sum of perhaps the £210m raised *through the licensing of self*-chosen premium blocks in the seventh round.

Mr Hamish Gray, Minister of State for Energy, said the Government would continue to consider the suitability of auction-block applicants. Blocks might not always be awarded to the highest bidder or, in certain cases, to any bidder.

A substantial part of the awards will be made in the gas-producing area of the southern North Sea. Companies have told the Government that higher *prices being paid for gas* supplies should encourage a resurgence of exploration drilling.

The rest of the blocks offered will mostly be in areas new to exploration: the Unst, Fair Isle and West Orkney geological basins; East Shetlands; the *Forth approaches*; the entrance to the Bristol Channel and a central section of the North Sea.



Companies will be invited in August or September to apply for the licences by the end of the year. It is expected the concessions will be awarded in spring 1983.

The awards will again be discretionary. Applicants will be screened on the basis of their financial standing, technical expertise, past experience, and willingness to give UK manufacturers and service companies *a full and fair opportunity* to bid for orders.

In the eighth round the dis*cretionary system* will be extended to embrace the applicants' willingness to encourage British offshore technology, especially in research and development phases.

The industry welcomed the announcement guardedly though there was disappointment among independent companies. Mr George Williams, director general of the UK Offshore Operators Association, said the auction concept would provoke a mixed reaction among association members.

"*While* we are keen to explore, and certainly interested in bidding, the thing which people *will have at the back* of their minds will be whether the tax systems will encourage the development of anything found."

British Petroleum was disappointed the auction system had been adopted, which would dilute funds available for exploration.

Parliament, Page 11

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			FALLS		
Aeronautical Genrl	223	+ 23	Assed Dairies	118	− 6
Barclays Bank	465	+ 10	ANZ Banking	240	− 20
Breedon Lime	174	+ 5	Beecham	273	− 8
Channel Tunnel	135	+ 10	Bowater	212xd	− 6
Chemring	375	+ 10	Brit Sugar	455xd	− 35
ESI London	297	+ 6	Courtaulds	89	− 5
Huntley and Palmer	96	+ 4	Davy Crpn	129	− 7
Lister	35	+ 3	GEC	890	− 13
Pleasurama	255	+ 20	Glaxo	677	− 13
Reed Intnl	308	+ 6	GKN	182	− 6
Sedgwick Group	171	+ 6	Hawker Siddeley	320xd	− 8½
Tozer Kemsley	73	+ 6	Heath (C. E.)	338	− 7
Woodhouse Rixson	23½	+ 1½	ICI	318	− 4
Eglinton Oil Gas	145	+ 15	Rothmans Intnl	94	− 4½
Bligh Oil Minerals	78	+ 10	UDS	58	− 3
Kloof	£13¼	+ ¾	Vickers	155xd	− 9½
Pancontinental Pet	27	+ 4	BP	314	− 6
St Helena	£14	+ ¾			
Sydney Oil	56	+ 5			

CONTENTS

For latest Share Index phone 01-246 8026

Local Socialists bitter at French Government's N-power plans

BY DAVID WHITE IN PARIS

"EVERYBODY to Golfech on May 29!" The slogans are all over the walls of student-filled Toulouse, a reminder that—at a stage when France is already obtaining 40 per cent of its electricity from nuclear power—the anti-nuclear movement is still going on. But, here at least, it is a movement that has lost its heart.

The demonstration is to mark the six-month anniversary of the last big protest, when the Mitterrand Administration had made clear it would keep the bulk of the nuclear programme. Forty people were hurt in the scrap at Golfech, the only nuclear site in the Midi-Pyrénées region and—after the abandonment of the fiercely contested Plogoff project in Brittany — the focus of the country's frequently violent anti-nuclear campaign.

The ecologist cause can still rally large numbers, but there remains a wide gulf between the country folk on the spot and those they call "the hippies." Meanwhile the political establishment, which here is predominantly Socialist and Radical, has stopped opposing the project, and front-line resistance among the farming population has crumbled.

Die-hard opponents are embittered. "I've been cuckolded," says M René Dauty, Socialist ex-mayor of Auvillar, a lovely mediaeval town neighbouring the Golfech site.

M Germain Dupeyre, one of the older farmers opposing the plant, shows more enthusiasm recounting his past brushes with the police—and their embarrassment at having to arrest him—than he does about the forthcoming protest. "Once you've started fighting something, you go on with it," volunteers another, M Emile Faucon. But he no longer has any illusions about achieving anything.

The project, on an island formed by the Garonne river 50 miles north-west of Toulouse, was planned by the previous government to be one of the biggest in Europe, with four 1,300 Mw reactors.

Opposition crystallised in 1975, when a referendum in the area produced an 80 per cent "no." The regional council said "no" in 1978, and the elected Tarn-et-Garonne departmental council came to the same verdict the following year. But that autumn, the authorities went ahead with a "public utility inquest." Opponents, including respected local figures, responded by tearing out the pages of the documents on display.

Next to the administrative buildings going up at the site, protected by a high wire fence and barbed wire entanglements, a sign tells visitors that a building permit was granted on May 5, 1981 — less than a week before the end of M Giscard d'Estaing's reign as President.

The new Government suspended this and several other projects. Curiously, however, earthmoving work on regulating the river level at the site went on. In October the Government, opting to keep six of the nine nuclear reactors on which work had been planned to start in 1982-83, "unfroze" Golfech, along with other sites in the north and east.

Demonstrators at Plogoff in Brittany: the abandonment of this project was the one major victory for the anti-nuclear lobby

Only one reactor is scheduled at Golfech for this period, instead of the original two. Overall — depending on new decisions to be made for 1984 — France's total installed capacity at the end of the decade is likely to be 10-15 per cent less than the 66,000 megawatts planned under M Giscard. But, owing to the scaling-down of projected requirements, nuclear power's share of France's total energy use will be closer to the previous Government's 30 per cent target than to the 21 per cent which the Socialists foresaw in their election campaign.

Opponents at Golfech concede that Electricité de France, the power generating board, played its hand expertly.

At the end of the year it concluded its first ever negotiated agreement with the regional council, which had set a price on its change of mind. Local entrepreneurs are promised £100m worth of work, about a tenth of the total, and local labour is set to supply half the 2,000 construction jobs. The board will also pay the region FFr 10m (£900,000) a year while building is going on—as an incentive for industrial development—and a further FFr 6m a year for as long as the plant is in operation.

M Dauty, an agronomist and wine expert, is scornful about the benefits when set against the negative effects, such as the loss of alluvial farmland and the influx of immigrant workers. His vision of the plant is as a "symbol of a centralised, and therefore authoritarian, society."

He resigned as mayor in 1980 when he realised that the majority, ranging from the Communists to the Right, had been won over to the project. He accuses his fellow-townsmen of "an act of collective cowardice." Only about 3 per cent remained as active opponents. "Where were the rest of the 80 per cent?" he asks. "They were playing the horses."

In contrast to Plogoff, where the anti-nuclear lobby scored its one major victory, or to the winegrowing plains of Languedoc, or to the Larzac region of the neighbouring Aveyron department, where sheep-farmers last year won their long struggle against the extension of an army camp, there is little regional sentiment here. Only a few, such as M Faucon, still use or know the old Gascon speech, and the comparatively modern farms of the Garonne valley have often been taken over by Italians or ex-colonial pieds noirs from Algeria.

If people like M Faucon think little of their fellow inhabitants "looking out from behind their curtains," they think even less of regional power politics. Many of the local dignitaries who joined the anti-Golfech campaign—such as M Jean-Michel Baylet, Radical MP and mayor of the nearby town of Valence d'Agen, and his mother Mme Evelyne Baylet, "patronne" of the Toulouse-based local paper La Dépêche du Midi—have changed their tone.

Nobody is really surprised that the Socialist majority eventually turned out in favour. But many feel they were taken for a ride, and that the Government lied when it promised a "vast debate" on the whole nuclear issue.

M Dauty still belongs to the Socialist Party, but "rather against my better judgment." M Faucon, who was a floating voter before becoming committed to the anti-Golfech cause and vesting his hopes in the Socialists, says: "I'll never vote again." As for M Dupeyre, he has sent back his elector's card.

Spanish officials pessimistic that Gibraltar frontier will reopen in June

BY TOM BURNS IN MADRID

THE LIFTING of the Gibraltar blockade on June 25 and the simultaneous talks between British and Spanish foreign ministers to discuss the future of the Rock are viewed as increasingly uncertain prospects among government officials in Madrid. June 25 was the date chosen by Madrid and London when both governments agreed to postpone the double event of border re-opening and negotiations, originally scheduled for last April 20, in the wake of the Falkland Islands crisis.

In the six weeks since the Argentine invasion, Spain has distanced itself from Western government opinion over the conflict by making broad common cause with Latin American support for Buenos Aires. The official pessimism over short-term progress in the Gibraltar dispute is a consequence of what the Spanish Foreign Ministry terms Britain's inability to recognise the "underlying colonial problem" of the Falklands issue. A Madrid foreign ministry statement termed British armed action in the South Atlantic "an historic error."

The Spanish Cabinet and the Foreign Ministry think Britain is unlikely at present to be able to offer guarantees that the unilateral re-opening of the border, sealed by Spain in 1969, will be accompanied by a substantive negotiating agenda that will deal with the "whole problem of Gibraltar" according to the terminology of the 1980 Lisbon joint statement that set a framework for talks.

A key factor in this view is that Lord Carrington has been replaced as Foreign Secretary. As well as recognising that Mr Francis Pym has had very little time, if any at all, to brief himself on the complexities of the vexed Gibraltar question, Spaniards stress that his predecessor was well versed in the issue and had gained the trust of Madrid's negotiators. A senior aide to the Prime Minister recalled that when Sr Leopoldo Calvo Sotelo visited London last January, Mrs Margaret Thatcher continually referred to Lord Carrington when Gibraltar was under discussion.

The evolution of the Falklands crisis, and Spain's alignment with her "Hispanic heritage," has in the event toughened Madrid's approach to the projected talks on June 25. In return for lifting the blockade, Spain will be looking for concrete undertakings and timetables to negotiate the sovereignty question.

It is argued that the onus is now on Britain to demonstrate to world opinion that she can properly negotiate anachronisms such as colonies with the same positive spirit with which she reacts to aggression.

This toughness is a reflection of Spain's emotional response to the Falklands dispute. The proposed lifting of the blockade, which was first announced by Sr Calvo Sotelo during his trip to London, was from the beginning labelled a "sell out" by conservative opinion. The Falklands crisis has hardened the view that the present Gibraltar blockade is Spain's sole trump card in the Rock dispute.

Such predominant feelings in Spain have led government officials to the conclusion that, barring an unforeseen and spectacular peace move in the South Atlantic, the June 25 date would be best dropped from the political calendar. If there were good reasons for postponing both talks and the border opening at the beginning of April, the reasons are even more valid now.

U.S.-Malta bid to mend links

By Godfrey Grima in Valetta

ANOTHER ATTEMPT to restore sound political and economic ties with the U.S. is being made by Malta at a round of talks here between Mr Dom Mintoff, the Prime Minister, and Mr Lawrence Eargleburger, the U.S. Under-Secretary of State for Political Affairs.

The two men met at a working lunch yesterday and are due to continue negotiations later today. Before his departure, Mr Eagleburger will sign an agreement on double taxation.

The two countries have had only lukewarm relations for close to two years, with Mr Mintoff complaining that the U.S. has wilfully distanced itself from Malta.

One of the main issues concerns a long-standing demand by Malta for U.S. guarantees of the island's neutrality and a promise of economic support. Washington disclaimed any interest in such a deal, more so after a similar accord was signed by Malta with the Soviet Union last October. Eighteen months ago the U.S. withdrew ambassador Joan Clark.

The invitation for Mr Eagleburger to fly to Malta for talks comes at a time when the island's economy appears to be beset with difficulties due largely to the world recession. Investments are virtually at a standstill, unemployment is spiralling, exports are down and income from tourism is falling. At the same time, the promise of large orders from East European countries has still not been fulfilled.

Spain's entry 'will help offset Nato weakness'

MADRID—Spain's contribution to the North Atlantic Treaty Organisation will not be in nuclear weapons but in conventional forces where the alliance is weakest, Sr Alberto Oliart, the Spanish Defence Minister, said in an interview published yesterday.

Sr Oliart told the conservative daily newspaper, ABC, that the Cortes (Parliament) had passed a law forbidding the storage or use of nuclear weapons in Spain without its express permission.

He said medium-range nuclear warheads in Spain were of little use to Nato as they would only be able to reach the southern border of the Soviet Union. But this would not reduce Spain's potential contribution to the alliance.

"Nato's weakness at the moment is not so much in nuclear power but in conventional forces. The nuclear potential of the United States, Britain and France equals that of the Soviet Union."

There was, however, an imbalance in conventional forces and "there, Spain can provide an army of land, sea and air that for a country of our size is very good and for Europe, too."

The Minister said he expected Spain to become the 16th member of Nato by the end of the year. Every member except Greece has approved Spain's candidacy.

Portugal, however, has expressed concern that Spain might take over command of Nato's Iberian front. Sr Oliart said it was important that Portugal maintained its independence in the alliance for strategic as well as historic reasons. "We must respect Portuguese sensitivity and work to improve ties between the two countries," he said.

He added that if Spain's Socialists won the next general election scheduled for early 1983, they would not pull Spain out of Nato because "they will be under pressure to face the European reality."

Reuter

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May 10, 1982

Inflation threat to EMS, says Lahnstein

BY JONATHAN CARR IN BONN

WEST GERMANY'S new Finance Minister, Herr Manfred Lahnstein, has warned that the European monetary system (EMS) will be threatened unless member states can cut their inflation rate.

His comments in a West German financial publication, yesterday follow another week-end of speculation about—and official denial of—a further devaluation of the French franc within the EMS.

Herr Lahnstein was careful to mention no countries by name, but he stressed the urgency of joint action both "to reduce the gap between inflation rates (in the EMS) and to cut the rates themselves."

"Without an energetic and jointly co-ordinated stability policy, we run the danger that parity changes will constantly be necessary, thus undermining the confidence of the currency market in the credibility of the system," the Minister said.

His warning is similar to that of Herr Karl Otto Poehl, the Bundesbank president, following the devaluation of the Belgian and Luxembourg francs and the Danish krone within the EMS in February.

His comments in a West German financial publication, yesterday follow another weekend of speculations about—and official denial of—a further devaluation of the French franc within the EMS.

Herr Poehl agreed that parity changes in the EMS were unavoidable from time to time but if they increased in frequency they would undermine the system itself. In particular, they would increase the gap in inflation rates still further.

While the February realignment—the fifth since the system was born in 1979—involved relatively minor EMS currencies, it is the French franc about which the West Germans are most worried. The French inflation rate is running at well over double West Germany's 5 per cent. And while Italian inflation is higher still the lira has a wider fluctuation band within the EMS than does the French franc.

Bonn's fear is that the current expansionist course of French economic and fiscal policy will increase EMS tension above all between Franc and D-mark, and make constant realignments likely.

In his article, Herr Lahnstein also made clear he felt that further institutional development of the EMS, in particular establishment of a European Monetary Fund was not possible "under current political conditions."

Nato ministers at odds over detente reference

BY JOHN WYLES IN LUXEMBOURG

MINISTERS ATTENDING the North Atlantic Council in Luxembourg were divided yesterday about whether the Nato heads of government summit in Bonn next month should express a renewed interest in East-West detente.

The dispute over a reference to detente in the summit's draft final communique pits West Germany and others on one side against Britain and the United States. Detente has virtually disappeared from the Nato vocabulary since the Soviet invasion of Afghanistan and the declaration of martial law in Poland.

Throughout this period, West Germany has fought to retain an emphasis in Western policy on dialogue with the Eastern bloc as well as on defence and deterrence. Herr Hans Dietrich Genscher, the West German Foreign Minister, kept up his efforts in Luxembourg yesterday by stressing the sensible advantages that detente had brought to the peoples of a divided Europe.

Britain and the U.S., however, appear anxious that the summit should not send the wrong signals to Moscow. They fear that a reference to detente would be seen in Moscow as an opening towards "business as usual" in East-West relations which should be discouraged following events in Afghanistan and Poland.

More generally, President Ronald Reagan's recent speech calling for negotiations to reduce nuclear weaponry has been welcomed by European ministers, including Mr Francis Pym, the British Foreign Secretary, who devoted most of his contribution to updating his colleagues on the Falklands crisis and reporting on the mediation efforts at the United Nations.

A secondary dispute involving the draft communique is France's resistance to the inclusion in the general statement of passages on Nato defence policy. Paris wants this dealt with in a separate declaration to which it would not subscribe because it plays no part in the alliance's integrated defence structure.

More style than content at Franco-British gathering

BY NICHOLAS COLCHESTER, FOREIGN EDITOR

BY LAST Saturday evening, after two days of red carpet treatment, the Franco-British Council had floated off into another era. The British fleet was at sea and needed continuing French support for its just cause. Somewhere else, the dour tussle over European money and agriculture moved towards a climax.

But in Hopetoun House, near Edinburgh, 300 representatives of the two nations joined in a glittering and festive evening. Ranks of Gordon Highlanders deployed champagne and served dinner in William Adam's great ballroom while the chamber orchestra played. There was only one place left for the council to go, said Mrs Margaret Thatcher, and that was Versailles.

It was both the best and the least relevant part of the Council's meeting—the second full-scale conference in the Council's history. Britain and France have long shared the knack of grand and stylish entertainment. The more testing question was a less glamorous one.

Could they talk easily and informatively to one another—about foreign affairs, economic policy, business and cultural exchange—in the same tradition as had been built up over the years in the Koenigswinter Conferences between Britain and West Germany?

The answer after round two was that we still have some way to go. The sense of togetherness was said to be better than at Bordeaux, the site of the first conference, but the two sides still talked among themselves rather more than to each other, and both the committee and plenary sessions left a certain sense of dissatisfaction, of opportunities not fully grasped.

Partly this was a problem of the agenda: the issues were too vast and needed to be more closely identified in the opening speeches. Partly, it was in the nature of the non-debate, for delegates seemed loath to develop or contest each other's themes. And partly it lay in the contrast of speaking styles—the British hard-tack versus that French verbal soufflé which inevitably sinks when passed round by an interpreter.

But the delegates also had to contend with the obvious divides which separate the two countries in their approaches to foreign and economic policy. The present shape of the European Community fits France much better than the UK. Britain's traditional relationship with the U.S. still clashes with France's individual approach to foreign affairs.

The two approaches to economic policy now differ so greatly that the two countries represent competing laboratories trying identically opposite solutions to the problems of stagflation. Nationalisation versus privatisation. Planification versus free market. Public spending versus public thrift. Unemployment versus inflation as the key enemy.

So it was hard to find common ground and, at least in the economic and political committees, the rapporteurs had to use imagination in reporting much rapport to the plenary session with which the conference ended.

Yet in his resume of the political committee, Dr Roger Morgan, head of the European Centre for Political Studies, managed to find some evidence of shared interests. If the U.S. had always regarded detente as "cold war by other means" perhaps European countries needed jointly to regard the current "post-detente" era as "detente by other means."

Should Britain and France allow the super-powers to dictate the nuclear weapons debate over their heads? He reported a consensus that it was illogical for Europe to move towards a common foreign policy without giving it a military dimension. There was new interest, apparently, in a European Defence Union within NATO.

On the matter of the Falkland Islands, Dr Morgan reported a "dialogue between friends" who accepted the principles of non-aggression and self-determination. But he also reported French doubts. Why had events in Cyprus or Afghanistan demanded a lesser European reaction? Was the use of military force under adequate political control? The discussion had suggested there could be British actions which would lose us French support.

In the economic committee it was admitted that the "shadow of Concorde" hung over thoughts of Franco-British projects. With policy differences and old-fashioned competitiveness precluding much co-operation at the production level, the group had to move up into the area of research to find common ground.

It was agreed that there was plenty of scope for joint, or jointly prompted, European research in energy, aerospace, telecommunications and biotechnology. Sir Derek Ezra briskly appointed two volunteers—Professor Eric Ash of University College, London and M Bernard Delapalme, head of research at Elf Aquitaine—to take the idea further.

The economic committee also displayed sentiment broadly in favour of UK membership of the European Monetary System. Mr Jock Bruce-Gardyne, Economic Secretary at the Treasury, appeared to be motoring in this direction until Mr David Hancock, head of the European secretariat at the Cabinet Office, intercepted and discreetly let his tyres down.

Communist split widens in Finland

By William Dullforce in Helsinki

FINLAND'S COMMUNISTS are in disarray after a minority Stalinist faction refused to accept the results of elections to the central committee and politburo at the end of a turbulent party congress at the weekend.

Mr Aarne Saarinen, the retiring party chairman, blamed the Soviet Communist Party for triggering "provocative activities" within the Finnish party.

His replacement by the young, inexperienced Mr Jouko Kajanoja was an attempt by the majority faction to placate the Stalinists. They also chose another Stalinist as vice-chairman but he refused to accept the post.

The two factions in the Finnish party have been at odds for some 15 years. They disagree seriously over the majority group's participation with the Social Democrats and non-Socialist parties in Finland's coalition Government and the Stalinists' control of a party newspaper.

The congress, intending to heal the wounds and to elect Mr Saarinen's successor, was preceded by a meeting of the leaders of both factions with members of the Soviet Communist Party politburo in Moscow.

At that meeting, the Russians read out a document accusing members of the majority group of making anti-Soviet statements.

Publication of this document incensed Mr Saarinen. At the congress he underlined the Finnish party's right to independence and told Moscow bluntly that it was in the wrong.

Italy hit by air controllers' strike

BY JAMES BUXTON IN ROME

ITALIAN AIRPORTS were almost completely paralysed yesterday by an air traffic controllers' strike. The controllers are planning three more days of strikes between today and next Sunday.

Their action has caused considerable public exasperation over the uncertainties of flying to and within Italy.

It is the culmination of several weeks in which strikes by different categories of aviation workers have taken place, or have been scheduled only to be cancelled at the last minute.

This week two days of strikes by employees of ferry services to Sicily and Sardinia and by petrol pump attendants have been planned throughout the country.

Some of the bitterest protests have come from the tourist industry, which had expected this year to be a good one after several mediocre years, on the basis of bookings and record influx of tourists at Easter.

Because the travel industry partly attributes the foreigners' revived passion for Italy to the country's image following the freeing last January of the U.S. General James Dozier, it is furious that this image is being ruined.

Last week Italian firemen used a one-day strike at Rome's Fiumicino Airport to persuade the Government to tackle grievances facing the whole force.

A settlement was reached a few hours before another one-day strike was due to begin.

Ground handlers attached to the airport authority last Friday caused chaos by calling off at only a few minutes' notice a strike in protest against a Government decision to allow foreign airlines to do their own ground handing at Fiumicino.

The fact that several strikes have been called off is only a pyrrhic victory for the travellers and the airlines.

By that time most passengers have cancelled their flights

At the root of the labour unrest is the fragmented nature of the trade union structure, especially in aviation, bad labour relations at Fiumicino Airport, and the growing frustrations of some unions at the repeated postponement of negotiations on the triennial wage contracts.

French trade union loses support following strikes

BY DAVID WHITE IN PARIS

THE Communist-led CGT trade union appears to have been the main victim of the recent series of strikes in the French motor industry, which have accentuated a progressive loss of union support.

CGT's difficulty in maintaining its influence in this crucial sector is bound to overshadow its national congress, the first since 1978, which is due to be held in four weeks' time.

The fall in the CGT's support has been marked by setbacks in annual elections for shop-floor delegates in several factories of the state-owned Renault group—and by a sharp reversal of tactics in the continuing Citroën dispute, where it finally agreed to negotiate alongside a "house" union.

At Renault's Flins plant west of Paris, the CGT's share of the worker ballot dropped from 53 per cent to less than 44 per cent, with its left-wing rival the CFDT winning 48 per cent.

The Flins result reflects the union's hesitation over a strike movement in April against a new pay-grading system. The recent strikes, largely involving immigrant workers, have posed a problem for the union, which has its main shopfloor base among skilled French workers.

On a national level, the CGT has undoubtedly suffered because of its Communist-line position on the Polish crisis.

The union recently published figures showing a drop in membership from more than 2m in 1977 to 1.63m in 1981, but most observers believe the actual figure is closer to 1.2m.

NOTICE OF REDEMPTION

To the Holders of

Compañía Anónima Nacional Teléfonos de Venezuela

8¼% Guaranteed Sinking Fund Debentures Due 1987

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of December 15, 1972 providing for the above Debentures, $425,000 principal amount of said Debentures bearing the following serial numbers have been selected for redemption on June 15, 1982, through operation of the Sinking Fund, at the principal amount thereof, together with accrued interest thereon to said date:

OUTSTANDING DEBENTURES OF $1,000 EACH OF PREFIX "M" BEARING THE DISTINCTIVE NUMBERS ENDING IN ANY OF THE FOLLOWING TWO DIGITS:

54 66 99

ALSO OUTSTANDING DEBENTURES OF $1,000 EACH OF PREFIX "M" BEARING THE FOLLOWING NUMBERS:

169	1069	2569	3369	4769	5569	6569	8269	9569	10769	11669	12669	13769	14469
369	1369	2669	3669	4869	5769	6669	8469	9869	10869	11769	12769	13869	14569
469	1369	2769	3969	4969	5969	6869	8869	10169	10969	11869	12969	13969	14869
669	2069	2969	4169	5169	6069	7369	8969	10369	11169	11969	13169	14069	
869	2269	3069	4569	5369	6269	7769	9269	10469	11269	12269	13569	14269	
969	2369	3169	4669	5369	6369	7969	9369	10669	11569	12569	13669	14369	

On June 15, 1982, the Debentures designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Debentures will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10015, or (b) at the main offices of any of the following: Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London, Paris and Zurich; Bank Mees & Hope NV in Amsterdam; Credito Romagnolo S.p.A. in Milan and Rome and Credit Industriel d'Alsace et de Lorraine, S.A. in Luxembourg. Payments at the offices referred to in (b) above will be made by check drawn on a dollar account, or by transfer to a dollar account maintained by the payee with a bank in New York City.

Coupons due June 15, 1982 should be detached and collected in the usual manner.

On and after June 15, 1982 interest shall cease to accrue on the Debentures herein designated for redemption.

Compañía Anónima Nacional Teléfonos de Venezuela

Dated: May 4, 1982

NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

DEBENTURES OF $1,000 EACH

M71	1265	3071	3834	4393	5093	6151	7393	8792	9482	10064	11271	11992	12381	12881	13214	13982
115	1271	3192	3835	4464	5182	6165	7451	8793	9493	10122	11281	12014	12382	12892	13215	13993
251	1381	3330	3847	4465	5192	6171	7464	8817	9515	10130	11282	12015	12414	12893	13217	14014
392	1382	3334	3907	4471	5193	6271	7465	8822	9517	10134	11293	12017	12415	12915	13222	14017
434	1386	3351	3914	4515	5214	6281	7471	8830	9522	10147	11314	12022	12417	12934	13230	14022
564	1392	3364	3915	4517	5215	6282	7515	8847	9530	10151	11317	12030	12422	12947	13251	14024
565	1414	3365	3922	4522	5217	6293	7530	8851	9551	10164	11330	12034	12471	12964	13265	14034
571	1415	3371	3934	4524	5230	6315	7534	8865	9571	10165	11334	12064	12481	12965	13271	14147
581	1417	3422	3947	4530	5234	6365	7571	8871	9581	10181	11364	12092	12482	12981	13282	14330
582	1459	3430	3951	4532	5251	6371	7981	8882	9582	10182	11365	12093	12514	12982	13293	14334
614	1471	3434	3964	4534	5264	6415	7992	9222	9592	10192	11371	12114	12516	12993	13314	14415
617	1474	3435	3965	4535	5271	6522	8015	9230	9593	10247	11374	12117	12517	12993	13315	14430
622	1515	3451	3971	4681	5274	6665	8047	9264	9614	10251	11381	12122	12522	13014	13317	14434
630	1534	3464	3992	4682	5281	6992	8051	9265	9630	10271	11392	12130	12530	13015	13334	14534
634	1547	3465	4030	4686	5292	6993	8064	9292	9730	10292	11414	12134	12534	13017	13347	14571
647	1564	3481	4034	4693	5293	7015	8122	9314	9734	10293	11422	12147	12571	13022	13351	14692
654	1565	3482	4081	4714	5314	7034	8130	9317	9751	10307	11434	12151	12582	13030	13414	14815
665	1571	3492	4082	4715	5315	7064	8134	9322	9881	10311	11451	12164	12692	13047	13415	14822
671	2434	3493	4086	4717	5317	7092	8147	9334	9893	10314	11459	12171	12693	13051	13417	14830
692	2515	3514	4122	4722	5322	7093	8192	9365	9893	10317	11464	12181	12714	13064	13434	14834
693	2714	3522	4134	4730	5364	7117	8265	9371	9914	10322	11465	12182	12715	13071	13451	14865
714	2722	3547	4135	4735	5365	7122	8515	9381	9922	10324	11471	12192	12717	13081	13464	14881
771	2724	3551	4165	4747	5464	7134	8522	9382	9930	10334	11482	12214	12722	13093	13465	14882
815	2735	3581	4171	4751	5465	7147	8534	9392	9934	10335	11492	12215	12730	13114	13471	14893
817	2814	3592	4181	4759	5614	7215	8551	9414	9965	10347	11514	12281	12734	13115	13481	14964
992	2817	3593	4182	4764	5615	7251	8722	9415	9971	10351	11517	12283	12747	13117	13482	14971
1024	2834	3614	4234	4815	5892	7271	8730	9417	9992	10365	11530	12293	12751	13122	13793	14981
1115	2882	3615	4317	4822	5893	7281	8734	9422	10014	10417	11664	12317	12764	13134	13793	14982
1117	2934	3617	4322	5014	5917	7293	8747	9430	10015	10434	11671	12322	12765	13164	13814	14992
1130	2935	3671	4364	5015	5922	7307	8751	9447	10017	10447	11834	12334	12771	13171	13815	14993
1134	3023	3682	4365	5047	5981	7314	8764	9451	10022	10451	11934	12347	12781	13181	13817	
1159	3024	3714	4371	5051	6081	7315	8765	9464	10030	10464	11951	12351	12847	13182	13822	
1171	3030	3715	4381	5071	6122	7330	8771	9465	10034	10615	11965	12364	12851	13186	13834	
1251	3034	3717	4382	5081	6130	7334	8781	9471	10047	10914	11971	12365	12864	13192	13934	
1364	3035	3830	4392	5082	6134	7371	8782	9481	10051	11264	11981	12371	12871	13207	13981	

OVERSEAS NEWS

Japan suffers £7bn shortfall in tax revenue

BY RICHARD C. HANSON IN TOKYO

THE Japanese Government, according to preliminary estimates, suffered an unexpected shortfall of more than Y3,000bn (£7bn) in tax revenues in the fiscal year ended March 31.

The gap between spending and income, which is likely to worsen further this year, has already cast doubt on the Government's ability to carry on with a hard-fought campaign to reform government finances.

More important, however, the shortfall has dealt a further blow to its ability to steer the currently sluggish economy back on the road to recovery.

As a result of poor economic performance, tax revenues last year fell a full 10 per cent short of an original target of over Y32,000bn.

This year (from April 1) the situation could worsen—barring an unlikely sharp upturn in the economy — leaving an anticipated tax shortage of up to Y3,500bn.

The Government, which for the past two years has enforced a strictly austere budgetary plan, has yet to decide how to cope with this growing fiscal dilemma.

It appears, however, that the authorities may be forced to issue large amounts of heretofore unplanned "deficit covering" bonds—those not related directly to public works spending—to make up for the revenue shortfall.

This would be a serious political setback for Mr Zenko Suzuki, the Prime Minister, who has pledged repeatedly to reduce such bond issues gradually to zero by the 1985 financial year.

The tax shortfall problem has thrown into confusion budget plans for at least this year and 1983. Mr Suzuki's government must decide whether to seek approval of an additional float of government bonds in a supplementary budget now being debated, to give the economy a boost later this year.

Sony, the Japanese consumer electronics company, is to move into the rapidly growing microcomputer market, it announced yesterday, Elaine Williams writes.

Its entry is seen as a major challenge to U.S. companies which have a dominant position in the small computer market worldwide.

Sony's interest has increasingly turned towards the business market. It will market its new microcomputer in the U.S. from September, having introduced a word processor late in 1981. Originally, its main business products were office dictation machines.

The microcomputer, called the SMC 70, will cost between $3,700 (£2,055) and $4,300 (£2,388) and is intended for business and video applications. The company plans to produce about 1,000 units a month initially for sale in the U.S.

The alternative would be to cover, temporarily, the gap with special reserve funds available to the Finance Ministry. This, however, would only postpone the crunch until the start of the 1983 financial year.

The Government is not in a position to propose any serious reductions in expenditures. Rises have already been cut to the bone. Public sentiment is also strongly opposed to any general tax increases.

There are obvious budgetary limits to how effective the government can be in applying the traditional method of more public works spending.

Japan's major trading partners are advocating such a plan to stimulate the economy. The alternative to boosting domestic demand in Japan could be an unwelcome push on exports.

Executives held as Seoul loan row spreads

THE CHAIRMAN and president of South Korea's Ilssin steel company have been arrested on charges of involvement in a multi-million dollar loan scandal, the Prosecutor-General's Office said yesterday.

The office said Ilssin's chairman, Mr Chu Chang Kyun, had been charged with bribery and the company's president, Mr Bae Kil Hun, with issuing cheques knowing they would be dishonoured.

This brings to 17 the number of people charged with involvement in the unofficial loan market scandal, which has pushed dozens of companies to the verge of bankruptcy and rocked the South Korean economy.

The prosecutor's office alleged Mr Chu had given bribes totalling Won 50m (£37,800) to the former president of the Commercial Bank of Korea, Mr Kong Duk Jong, also under arrest, to keep Ilssin credit lines open despite its insolvency.

Mr Bae was charged with issuing Won 861m worth of cheques knowing there were no funds available to meet them, the prosecutor's office said.

The office said the president, managing director and an auditor of the Kong Yung Construction Company had also been arrested on charges of embezzlement connected with the scandal.

Kong Yung's president, Mr Byun Kang Woo, its managing director, Mr Byun Tae Su, and an auditor, Mr Kim Dong Ui, were charged with complicity to embezzle Won 1.2bn of company funds and breach of trust.

They were alleged to have given Won 129.9bn in collateral for loans totalling Won 16.9bn to two money-lenders, Mr Lee Chol Hi, former deputy head of the Korean Central Intelligence Agency (KCIA) and an ex-parliamentarian, and his wife, Mrs Chang Yong Ja.

Mr Lee, 59, and his wife, were arrested on charges of violating the Korean foreign exchange control law for illegally depositing $400,000 in an unnamed California bank.

They were also accused of defrauding six companies of a total of $210m by circulating their promissory notes without their consent. Mr Lee is said to have received the notes as collateral from the companies that borrowed funds from him.

The couple are related to President Chun Doohwan's wife's family. President Chun has ordered a thorough investigation.

Chang Yong Ja's first husband, Mr Kim Su Chol, was also arrested and charged with *evading Won 26m in taxes* on a Won 400m gift from his ex-wife, the prosecutor's office said.

The office said the Bank of Korea's supervisory branch was being investigated for possible negligence, adding that the scandal had wiped millions of dollars off shares.

Agencies

Alain Cass, Asia Editor, looks at the background to tomorrow's four state elections

High stakes in India's political tug-of-war

THE STREETS of Calcutta are plastered with hammer and sickle emblems, lending a splash of colour to the city at election time as it struggles against terminal decay. In the back streets, where the fading splendour of colonial architecture merges imperceptibly with the slums, the emblems cover every wall.

Occasionally the black outline of a hand—the logo of the Congress (I), India's ruling party—punctuates the stream of Communist slogans, but this only underlines its weakness here. The weakness of the Congress in West Bengal is likely to be underlined again when four of India's 22 states vote to elect state assemblies tomorrow.

Elections are also being held in the southern state of Kerala, another Communist stronghold, Haryana, north of Delhi and in the northern border state of Himachal Pradesh. Seven parliamentary by-elections are also being held on the same day.

The elections, in which over 52m people are expected to vote, represent the first major political test for Mrs Indira Gandhi, India's prime minister, since she returned to power in 1980.

Mrs Gandhi is campaigning vigorously to re-establish her authority in West Bengal, and the three other states where her own party has been weakened by petty squabbling and defections.

At stake in these elections are Mrs Gandhi's persistent attempts to stamp her authority across India by bringing unruly and wayward states under her control.

India's constitutional system gives the states substantial powers which they wield in a constant battle of wills with the capital. This process has been accelerated and, in turn, has contributed to the gradual disintegration of India's national political consensus since independence in 1947. It has also encouraged the proliferation of regional and sectarian parties.

For Mrs Gandhi, the tug-of-war is more than merely a matter of being on top. Her inability to assert her authority fully is a major stumbling block to the reforms now under way.

Mrs Gandhi's main opponents in Haryana and Himachal Pradesh are the remnants of the Janata coalition, which ousted her from power after the end of the period of emergency rule in 1977.

She faces an even tougher task in West Bengal—which the Marxists are bound to hold—and in Kerala. Although the impact made by the Marxists on a national scale has been limited so far, their success in entrenching themselves in these two states has been an irritation for Mrs Gandhi. West Bengal and Kerala have the highest literary rates in India. This has undoubtedly helped the Marxists put across their case.

India's dominant Communist faction is the Communist Party of India-Marxist (CPIM). Unlike its smaller pro-Moscow fellow-traveller, the Communist Party of India (CPI) it is an uncompromising opponent of Mrs Gandhi's domestic policies.

Trevor Humphries

Mrs Indira Gandhi, the Prime Minister: major political test

The CPIM is in the forefront of the opposition to Mrs Gandhi's liberal economic changes. In particular, it has fought tooth and nail against what it claims to be a loss of sovereignty on India's part as the price for the $5.8m IMF loan to the country won last year.

The second threat posed by the Marxists lies in their ability to exploit regional chauvinism, such as the strong Bengali sentiments, as well as the desperate plight of many Indians, like Calcutta's pavement-dwellers, which cuts across the conventional barriers of caste and language.

While Mrs Gandhi's task in recapturing Kerala maybe helped by divisions within the Communist ranks and an apparent breakdown in law and order in recent years, the problem in West Bengal is more complex.

Mrs Gandhi's tactics in trying to defeat the Communists vary from state to state. In West Bengal she is locked in a battle over the disbursement of central funds for development of the state. The Finance Ministry in Delhi claims that the Marxists are incapable of designing spending targets while at the same time running up huge overdrafts. The government of West Bengal reports that Mrs Gandhi is trying to squeeze them out by starving them of vital funds. Although they seem to relish the prospect of a head on clash.

In both Kerala and West Bengal the underlying message is that a vote for the Congress is a vote for good state/centre relations. Or, as one Marxist in Kerala put it, "Vote for Mrs Gandhi and you can have all the money you need as well as the freedom to use it. Vote against her and she'll come down on you like a ton of bricks."

Mrs Gandhi goes into the election buoyed at least by an encouraging economic picture. Inflation has slowed up sharply. A record grain harvest and rising industrial production have boosted economic growth. Overall, the prolonged and damaging period of economic stagnation which she inherited appears to be ending.

On the minus side, the Congress is riven with bitter in-fighting, petty jealousies and the occasional high-level corruption scandal.

Some of Mrs Gandhi's critics argue that her personal success has resulted in the weakening of her party's collective strength. The links she has forged with the Indian people certainly transcend those of the Congress but may also undermine them as the party machine is gradually allowed to fall into disrepair.

The Congress (I) has not held internal elections since its formation in 1979. This has reinforced Mrs Gandhi's personal authority as well as her unlimited powers of patronage, but it has also contributed to the apparent absence of second-generation leaders who might eventually take over.

If Mrs Gandhi does well in the forthcoming elections, she will be able to claim a personal victory. If she does badly her personal authority is still likely to see her through, but it will reinforce the argument of those who say that charisma is no substitute for sound party organisation.

Hardline Arabs to meet on Egypt

BY ROGER MATTHEWS

FOREIGN MINISTERS from hardline Arab states are expected to meet in Algiers later this month to co-ordinate their opposition to suggestions that links with Egypt could be restored following the return of Sinai by Israel.

Syria, Algeria, Libya, South Yemen and the Palestine Liberation Organisation, which form the so-called Steadfastness Front, argue that renewed contacts with Egypt would play into the hands of the "Imperialist-Zionist conspiracy" and U.S. attempts to develop the Camp David agreements.

They are also concerned at possible increased Egyptian military assistance for Iraq in the Gulf war with Iran. Syria and Libya have been particularly active in their support for non-Arab Iran.

A communiqué issued in Algiers after talks there between President Chadli Bendjedid and Syria's President Assad at the weekend warned other Arab countries against resuming diplomatic relations with Egypt.

The warning by hardline states is thought to have been directed mainly at the conservative oil producers of the Gulf who have been alarmed by Iran's recent successes in the Gulf war.

Saudi Arabia, Kuwait, the United Arab Emirates and Qatar are increasingly financing Iraq's war effort.

Reuter adds: Iran said yesterday that its forces had recaptured more territory in the border region of Kushk and destroyed more than 10 Iraqi tanks with five others seized undamaged.

West Bank poll holds little promise for Israelis

BY DAVID LENNON IN TEL AVIV

ISRAELI attempts to weaken the support for the Palestine Liberation Organisation among Arabs living on the occupied West Bank have failed completely, according to a recent public opinion poll, which has revealed that 86 per cent of the West Bankers want an independent state headed by the PLO.

During the past six months, Israel has instituted a tough new policy on the West Bank, designed to dissuade the Palestinians from supporting the PLO.

Arabs who demonstrate against the Israelis or express support for the PLO have been subject to severe punishment, while those prepared to collaborate with Israel are offered substantial rewards.

However, a poll conducted in April on the West Bank by the Pori Institute of Tel Aviv for Time Magazine reveals that 98 per cent want an independent Palestinian state.

Angola claims S. African jets hit mine power plant

LISBON — South African air raids killed seven civilians and six Angolan soldiers during attacks on a power station and military targets in southern Angola last weekend, the official Angolan new agency, Angop said yesterday.

Angop reported a Defence Ministry communiqué as saying three women and four children were killed on Friday when South African aircraft hit the power station of the Cassinga iron mine, near Jamba.

The communique said South African Mirage jets bombarded Angolan military positions on Saturday and attempted to attack Jamba airport but were repulsed. On Sunday nine Mirage aircraft bombed Angolan military positions in Cahama, near the border, killing six soldiers and wounding 14 others, it added.

The Angolan Defence Ministry said South African forces continued to control various areas in southern Cunene province, which they invaded last August.

Angop quoted the communiqué as saying the South Africans had built up forces and supplies on the Namibian border with Angola and had recently stepped up reconnaissance flights deep into Angolan territory.

It said this and the increase in threats from South Africa concerning aid given by Angola to *guerrillas fighting for Namibian* independence, pointed to a possible new South African offensive.

Last August 23, South Africa launched a two-week incursion into Angola in pursuit of Namibian nationalist guerrillas and later said about 1,000 Angolan soldiers had been killed.

Uganda to seek £308m aid package from donors today

BY MICHAEL HOLMAN

THE UGANDA Government's campaign for economic revival and international respectability is scheduled to reach its climax in Paris today with the presentation of a $556.5m (£308m) two-year investment package to aid donors. A further $180m will be required for follow-up spending in 1984-85.

The Ugandan delegation, led by Mr Abraham Waligo, Minister of Housing and Urban Development, hopes to convince donors that the development strategy is sound and the level of finance required is realistic.

At the same time, they will want to reassure donors that President Milton Obote's Government, elected in December 1980, is in full control of the country despite armed opposition groups and banditry.

The key document before the World Bank-chaired conference is a 165-page economic analysis prepared by Uganda, based on principles seldom espoused by African governments.

These include a promise to promote a market economy, in which the present high level of state participation is reduced in favour of private enterprise and foreign investment.

What is in effect Uganda's 1982-84 development plan—designed to rehabilitate an economy devastated by neglect, nationalisation and confiscation of Asian businessmen's assets under Idi Amin—is a scaled-down version of an ambitious and expensive 10-year plan produced by the government last year.

The government has already secured nearly half the financing required for 140 projects, selected according to four main criteria: rapid earnings of foreign exchange; minimal impact on the government's over-stretched recurrent budget; urgent humanitarian needs; or those essential to the momentum of economic recovery.

In the short term, says the report, the "engine of recovery" is coffee which at present accounts for 97 per cent of foreign exchange earnings.

Cotton, tea and tobacco are the other main cash crops, and 30 per cent of the programme spending is set aside for agriculture.

The intention is to rehabilitate the existing run-down plants. Of nearly 50 medium and large scale industries operating in 1970, 15 are closed and the rest operate at about 20 per cent capacity.

The third major investment sector — 21 per cent — is transport. The run-down of the railway linking landlocked Uganda to the Kenyan port of Mombasa has forced traffic to *switch to the roads, pushing up* fuel imports to nearly 60 per cent of export earnings.

A critical factor will be the response of private and foreign investors. The re-establishment of "extensive private participation in the industrial and commercial sectors is a cornerstone of recovery strategy," says the report.

Two key bills will go before parliament shortly. One will allow for the return to their former owners of businesses nationalised or confiscated under Amin, and the other will strengthen the existing Foreign Investors Protection Act.

Although there has been an improvement in the economy in the wake of wide-ranging reforms introduced by President *Obote in his budget last June,* Uganda remains "critically dependent" on foreign assistance, the report adds.

The Paris meeting is not intended to be a pledging session, but Ugandan officials will be looking for assurances from donors that support will be forthcoming in the critical two-year period of the plan.

THE FALKLANDS CRISIS

Anaya plays down hints of closer ties with Moscow

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

ADMIRAL JORGE ANAYA, the Argentine naval commander-in-chief and a member of the ruling junta, yesterday dampened speculation that Argentina might seek a closer alignment with the Soviet Union.

Admiral Anaya, said to be the most combative of the three armed service commanders, said in a speech on the country's Navy Day: "We belong to the West, yes, but to a West which wants to recast its rules of conduct."

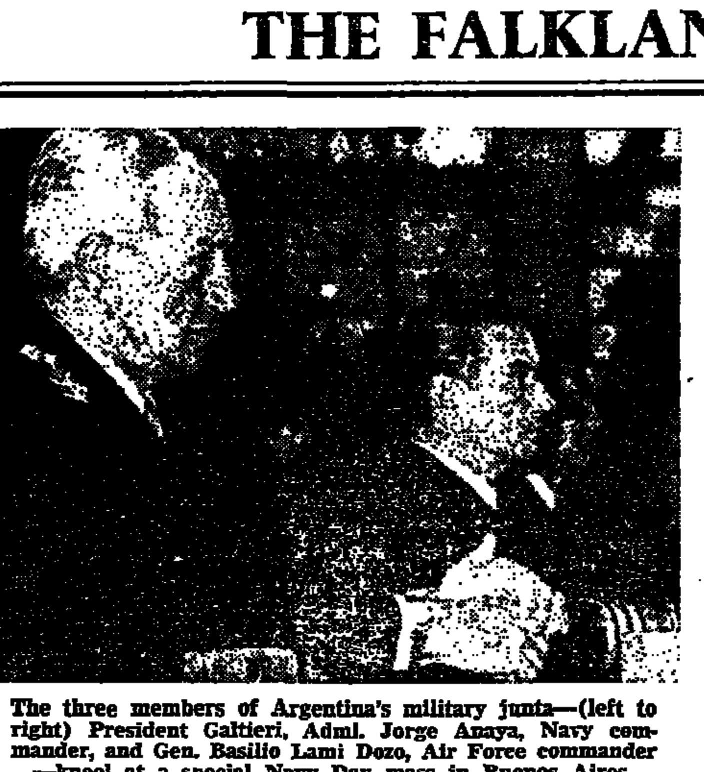
Dr Amadeo Frugoli, the Defence Minister, claimed that while diplomatic contacts were continuing on the Falklands crisis Britain was stepping up its attacks on the islands.

Military communiqués issued by the General Staff yesterday underlined the damage being done to the islands' supply lines by British naval action against naval auxiliaries and cargo vessels.

Commenting on British attacks on the Isla de los Estados on Friday, and on the Rio Carcarana and the Bahia Buen Suceso on Sunday, the Argentine Combined General Staff said that the three vessels had been engaged in delivering supplies, medicine and fuel to the islands. The Bahia Buen Suceso was the naval auxiliary used to invade South Georgia in March.

The phrasing of the latest communiqués may be aimed at preparing domestic and foreign opinion for future disclosures of extreme hardship on the islands, and at blaming Britain for any suffering by the Falklanders or for illnesses that may break out in the islands.

The Argentine reply to the plan for the future of the islands proposed by Sr Javier Perez de Cuellar, UN Secretary-General, has now been completed, and may be presented in New York today or tomorrow.



The three members of Argentina's military junta—(left to right) President Galtieri, Adml. Jorge Anaya, Navy commander, and Gen. Basilio Lami Dozo, Air Force commander —kneel at a special Navy Day mass in Buenos Aires.

On the domestic political front, the U.S. Embassy has been quick to deny that its staff had been exceding their diplomatic duties in their contacts with personalities in Argentine public life.

The political parties are gearing themselves up for any change in government which might occur in the near future.

Within the ranks of Peronism, Sr Italo Argentino Luder, a leading figure in the military government of President Maria Estella Peron which was overthrown by the military in 1976, is seen to be the leading candidate for that movement's presidential nomination.

Argentina 'will not reschedule'

NEW YORK — Argentina will not seek to reschedule its foreign debts, Argentina's Economy Minister, Dr Roberto Alemann, said

There has been concern among *international bankers* that a deferment would be needed if Argentina could not meet debt payments because of military spending on the Falklands dispute, and the trading ban by the EEC.

Dr Alemann said in an *interview* that Argentina would have no problem in finding the necessary funds to meet its debt payments because it would shortly be selling a large grain crop.

It could also borrow from the International Monetary Fund, although it had no current plans to do so, he added.

Argentina's foreign debt totals some $35bn (£19.5bn), and bank economists estimate about $7bn of that will fall due this year.

Dr Alemann, in New York for talks with U.S. bankers, said Argentina would not seek long-term loans until the situation returned to normal.

Reuter

Bagpipe players

BUENOS AIRES — Argentine Bagpipers, descendants of Scots immigrants, say they support Argentina in the Falkland Islands dispute, AP reports from Buenos Aires.

"Even though we don't feel very much like playing these days, we feel we have a debt to our country," Mr Ricardo Pearson, head of the South American Piping Association, told the Buenos Aires newspaper Clarin.

Mitterrand assures Thatcher of continued support

BY DAVID TONGE, DIPLOMATIC CORRESPONDENT

PRESIDENT FRANCOIS MITTERRAND of France yesterday assured Mrs Margaret Thatcher, the British Prime Minister, of French support for Britain over the Falklands crisis, even if the two European countries remained at loggerheads over EEC issues.

After a midday visit to Downing Street, he told journalists that he had stressed France's solidarity with Britain.

According to British officials, he also indicated that France would continue this support even if Britain had to resort to increased use of military force against the Argentine junta.

The French President said that Argentine actions had started a "new logic" of international affairs, when countries which had been wronged like Britain no longer relied on diplomatic means alone to resolve their problems. Those present insisted that he avoided any judgments on this point.

British officials characterised the visit as "fruitful and friendly," even if it saw the French President putting forward a robust statement of the French position on EEC affairs.

President Mitterrand said he totally rejected British attempts to block an increase in EEC farm prices until a solution had been found to the problem of Britain's contributions to the EEC budget.

The British argued that on EEC matters, the President had basically restated the known French position. Apparently the two leaders did not enter into details, leaving those to their Foreign Ministers in Luxembourg.

The main purpose of the President's trip had been to bring Mrs Thatcher up to date on preparations for the Versailles summit of seven Western nations on June 4 and 5.

France is keen that the seven should go into more detail on East-West relations and disarmament than at previous economic summits, so that they present a unified front at the Nato summit in Bonn the following week.

The French Government is also stressing the need for lower U.S. interest rates if Western economies are to grow again and reduce their unemployment problems.

Another issue where France is at odds with Washington, and to a lesser extent London, is the extent to which it stresses the importance of a more vigorous approach to the problems of developing countries.

French and Swedes still hope to see Astiz

BY JIMMY BURNS IN BUENOS AIRES

THE SWEDISH and French Governments are still hoping that they will be allowed to question Capt Alfredo Astiz, an Argentine marine commander captured when the British recovered South Georgia island last month.

Capt Astiz was among the 189 Argentines who were taken prisoner on the island. All except him were subsequently returned to Buenos Aires. He is currently being retained on Ascention Island, the mid-Atlantic staging post for the task force, because of his alleged connection with the "disappearance" of a Swedish student and two French nuns in 1977.

Sweden was the first country to approach Britain formally on the Astiz case, but an intial request forwarded to the Foreign Office by the Swedish Embassy in London was rejected following a "high-level decision," according to diplomats.

The case was subsequently taken up with the International Red Cross, which also refused to help.

Britain is believed to be reconsidering the Swedish request in the light of a subsequent approach by the French Government. British officials said that Britain was still studying the legal problems raised by the French and Swedish requests.

Both Britain and the Red Cross claim that Capt Astiz is being treated as a prisoner of war and that any questioning is restricted, according to the terms of the Geneva Convention.

UN peace bid 'in final phase'

BY PAUL BETTS IN NEW YORK

THE United Nations' Secretary-General, Sr Javier Perez de Cuellar, said yesterday that his efforts to end the fighting over the Falklands had entered their final stage.

But he gave no clue whether he expected his peace efforts to succeed or collapse, and the atmosphere at the UN yesterday was grimmer than earlier last week when the two sides claimed some progress.

The Secretary-General said he expected to receive new comments on his peace efforts from both sides, but mainly from Britain. He had now reached "the final stage" of his exercise, he added.

This was generally taken to mean that the current peace efforts at the UN would wind up one way or the other before the end of the week, if not much earlier.

The Secretary-General also confirmed that he had spoken on two occasions in the latter part of last week with Mr Alexander Haig, the U.S. Secretary of State.

UN officials sought to play down these conversations claiming the Secretary-General essentially briefed Mr Haig about his peace efforts.

But in recent days there have been suggestions that the Secretary-General was upset by Washington speculation that Mr Haig had been playing some kind of hidden role in his exercise.

The high level of uncertainty surrounding the final stage of the peace efforts was attributed by some diplomats to an apparent hardening of the British position.

Canada changes rules over gas sales to U.S.

BY JIM RUSK IN OTTAWA

CANADA'S National Energy Board has decided to change the rule by which it declares natural gas available for export, in order to make it easier for gas producers to obtain approval for sales to the U.S.

The changes, already endorsed by Mr Marc Lalonde, Energy Minister, are the first steps towards increased sales by Canada's hard-pressed natural gas producers, who have been holding producible gas in the ground for the last three years.

Under the previous more stringent rules, the board found in 1980 that there was no natural gas available for export over the next three years, even though producers had gas available for sale.

The board has now dropped the stiffest of the three tests by which it previously determined whether there is a surplus of gas to be exported from Canada.

Marc Lalonde

The precise amount of gas that will become available as a result of the change will be determined over the summer when the board holds hearings on 30 applications for additional gas exports. However, it is not clear that extra Canadian gas will find ready markets in the U.S.

Canada has pegged natural gas export prices to world crude oil prices on an energy-equivalent basis and Canadian gas has become increasingly uncompetitive in U.S. markets, where oil prices have risen more sharply than competing fuels.

This over-pricing, coupled with growing U.S. gas supplies resulting from increased exploration in that country, has reduced Canadian gas sales. Last year, for example, Canadian producers delivered less than 60 per cent of the maximum authorised level on current export permits, compared with 90 per cent in 1979.

Canadian exports of gas and crude oil to the U.S. came to C$6.9bn (£3.1bn) in 1981, with oil accounting for only a small portion of the total.

If Canada is to increase gas sales, Ottawa will have to change its pricing policy and the quick acceptance by the Energy Minister of the revised NEB rules may signal a changing attitude towards exports.

AP reports from Ottawa: Canada and Egypt signed a 30-year nuclear co-operation agreement yesterday, Mr Lalonde announced. The agreement envisages the possible sale of Candu nuclear reactors, the supply of uranium, implementation of joint nuclear research programmes and the exchange of technology.

Call for Trudeau to restore confidence

By Robert Gibbens in Montreal

CANADIAN business leaders, alarmed by an inflation rate of more than 10 per cent and the prospect of no real economic growth this year, have called on Mr Pierre Trudeau's Liberal Government to "take a strong leadership role to arrest a rapidly deteriorating economic situation and to restore confidence in the country."

The appeal came from the Business Council on National Issues, consisting of the heads of the major Canadian companies. It is a body that rarely makes public statements, though it does meet regularly with representatives of the federal and provincial governments.

The statement from the council did not spell out specific proposals. Judging by its previous record, the council would like governments to help put a lid on wage increases, now higher than in the neighbouring U.S., by holding down public sector pay.

Members of the council also are anxious to restore investor confidence by modifying the attack on tax shelters made in the last budget and by soft-pedalling the carping official attitude in Ottawa to foreign direct investment.

Difficulties that began hitting Canadian manufacturing industry last year, partly because of the high level of interest rates, have begun to spread to the resource sector.

The habitual Canadian trade surplus is holding up well, but a high invisible deficit, due largely to the need to service rising foreign debt, is pushing the current external account into ever larger deficits.

Richard Lambert in New York reviews launch of the computerised U.S. trading network

Trial run for stock market of the future

AFTER A series of missed deadlines, the U.S. securities industry yesterday took a significant step towards the long heralded national market system — a kind of stock exchange of the future, in which investors will be able to execute instant trades in whatever market offers the best price for a particular security.

Under instructions from the Securities and Exchange Commission (SEC), the federal agency responsible for overseeing the securities industry, a computerised trading network was switched on yesterday to link the seven major U.S. stock exchanges with broker dealers in their offices across the nation. This is the first such link to have been established, and it means that there is now direct competition between specialists on the floor of the stock exchanges and brokers in the over-the-counter markets.

There are two types of stockbrokers in the U.S. those who are members of an exchange and trade there, and those who are not and trade over the counter. The dual system, critics say, has not been in the investor's interest. The idea of setting the two systems up against each other is to secure better prices for the customer.

The link is at present confined to only 30 stocks, and is being conducted on an experimental basis for six months. If it works, it will then be extended substantially. The network brings together a communications system linking the seven stock exchanges with computerised trading equipment run by the National Association of Securities Dealers, which regulates the over-the-counter market.

The SEC first started to promote the idea of a national market system about a decade ago, and it was mandated by Congress as long ago as 1975. The idea faced stiff opposition from the established stock exchanges, however, who feared that competition would erode their business and eventually undermine the whole system of an open auction market. The SEC's dream of an electronic marketplace began to fade.

Then, in 1980, the agency introduced rule 19C-3, which said broadly that any security newly listed on a stock exchange after the spring of 1979 could be freely traded by over-the-counter dealers away from the floor of the stock exchanges. It sounded good, but in practice the lack of direct communications between the two different marketplaces has led to very limited trading over the counter in rule 19C-3 stocks, which now number about 200.

Logically, the next step was to establish an electronic trading link. The SEC's idea was that this should be in place by last autumn, but first one deadline was missed and then two more — partly for technical reasons, but also because of increasing opposition from the big battalions, led by the New York Stock Exchange.

The Exchange has endorsed the linkage concept, which it admits would promote competition for orders and so give customers the chance to obtain a better price. But it has strongly — and unsuccessfully—urged the SEC not to go ahead with the experiment until rules have been framed to prevent what it sees as a major potential abuse in the new system.

The key word here is "internalisation," which is what happens when over-the-counter dealers match buyers and sellers among their own customers without exposing their orders to outside competition. The New York Stock Exchange suggests that without some safeguard against this practice, customers of exchange-listed securities could be cheated by broker dealers in their offices off the floor of the exchange.

Against this, its critics contend that the Exchange's real concern is a possible loss of business for its members if orders can be fulfilled without showing them to the floor of the Exchange.

By and large, the big companies welcome the new link. Merrill Lynch says that independent audits of its "internalised" business shows that in a number of cases customers have got a better price than they otherwise would have done. "Why write a rule if it is not clear there is a problem?" the company says.

Some of the exchange specialists, whose job it is to maintain a fair and orderly market in particular stocks, are distinctly uneasy about the development.

Last week, the Secretary asked for public comment on whether an "anti-internalisation" rule of some kind should be imposed. But, until these outside reactions are digested sometime around the late summer, the linkage is going ahead without any specific safeguards. Starting yesterday, stocks like Anheuser-Busch, Tosco, and Wendy's International are trading in what could turn out to be the market*place of the future.*

Opec reviews market

BY KIM FUAD IN CARACAS

A MINISTERIAL committee of the Organisation of the Petroleum Exporting Countries (Opec) meets today to review the world oil market.

This follows Opec's decision in March to hold members' output levels to 17.5m barrels a day to shore up eroding price levels.

The market monitoring committee of energy ministers, composed of Algeria's Mr Belkacem Nabi, Indonesia's Dr Subroto, the United Arab Emirates' Mr Mana Saeed al Otaiba and Sr Humberto Calderon Berti of Venezuela, will review the report of Opec experts who concluded a two-day meeting here yesterday.

The committee's findings will be presented to the Opec ministerial conference which will meet on Thursday in Quito, Ecuador.

Opec officials said the pro-rationing agreement on March 20 had been effective in showing up declining spot market prices.

Mr F. J. al Chalabi, Opec under secretary general, said: "The decision has been successful in consolidating price structures."

Opec must now determine whether to continue with the pro-rationing programme, and if so, for how long and at what level, according to organisation officials.

Moonies launch Washington newspaper

By Anatole Kaletsky in Washington

A NEW PAPER, the Washington Times, hit the streets yesterday less than ten months after the death of the Washington Star left the U.S. capital a one-newspaper city.

The probability of huge losses appears to be no deterrent for News World Communications, which is risking millions of dollars to challenge the Washington Post's monopoly.

In its official press release the Times says that "profit is not a primary motivation" for its owners, that the paper "will have to continue being subsidised for a while" and initially the Times is carrying no advertising.

It's publishers can afford to take such a relaxed attitude because they are part of a mysterious and profitable commercial enterprise—the Unification International, a tax-paying multi-national conglomerate associated with the Unification Church," in the Times' own words.

The Unification Church is better known throughout the world as the organ of the controversial Rev Sun Myung Moon and his followers, the so-called Moonies.

The "Moonie paper" sobriquet will be hard for the Times to live down. Scandals have abounded about the Moonies' operating methods, ranging from alleged brainwashing of impressionable children to an indictment for tax evasion which Rev Moon is currently facing in the U.S.

While the Times editor and journalists insist that they have firm guarantees of editorial freedom, they make no bones about the fact that the Times is intended to be a "Conservative alternative" to the liberal-leaning Washington Post.

Car bumper standards eased

By Our New York Staff

THE Reagan Administration, furthering its pledge to lighten the load of regulation for U.S. industry, has eased the strength standard for car bumpers.

The National Highway Traffic Safety Administration has lowered the speed at which bumpers must protect cars from damage in a crash from five miles per hour to 2½ miles per hour. The agency says that this should reduce the cost of making a car and save consumers $300m (£164m) a year.

The move has been warmly welcomed in Detroit where the large car companies have argued for years that regulation has added enormously to the cost of making a car.

However, rejoicing at the move is not widespread. Consumer organisations, who made their reputations in the early days attacking car hazards, doubt that costs will come down and maintain that car owners will suffer extra risk without compensation.

Sao Paulo car workers return

MORE THAN 50,000 Sao Paulo car workers went back to work yesterday proclaiming victory in a five-day strike which paralysed most of Brazil's motor industry, writes our Sao Paulo correspondent.

A number of smaller metal-workers' unions in Sao Paulo state remain on strike.

Although the workers' wage gains were slight—they were awarded 5.5 per cent, which was between half a point and 2.7 percentage points more than those unions which did not join the strike—they succeeded in forcing the car companies back to the bargaining table after negotiations had been closed.

Liberal claims victory in Dominican polls

SANTO DOMINGO, SALVADOR — Dr Jorge Blanco of the Dominican Republic's ruling Revolutionary Party (PRD) yesterday claimed victory in the presidential elections.

Early returns issued by the electoral tribunal gave Dr Jorge Blanco 48.6 per cent of Sunday's vote against 34.7 per cent for his main rival, Sr Joaquin Balaguer of the opposition Party.

Dr Jorge Blanco told former Venezuelan President Carlos Andres Perez, who telephoned to congratulate him: "There is no doubt whatsoever of my victory."

Dr Jorge Blanco, a 54-year-old liberal, then told reporters he planned to visit the U.S. and Europe before taking office on August 16 to meet foreign leaders and tell them of his country's problems.

"The economic problems we face are grave but with the support of the people, as manifested in the elections, we can overcome them," he said.

The Caribbean republic is suffering from high unemployment and inflation, current account balance of payments difficulties and a foreign debt estimated at over $2bn (£1.09bn).

Seven parties fielded candidates for President, Vice-President, 27 Senators and 120 Deputies. None of Dr Jorge Blanco's opponents has conceded defeat.
Reuter

Anatole Kaletsky in Washington writes: The apparent success of the democratic process in the Dominican Republic is seen in the U.S. State Department as a further vindication of its reliance on elections as the key to stabilising Central America. The fact that the elections have produced a moderate left-winger as the new Dominican leader is seen as a welcome counterpoise to the victory for the extreme right in El Salvador in March.

State Department officials point to the U.S. encouragement of the Dominican election as evidence that they are willing to support all democratic forces in Central America, regardless of their political colour, in the face of attempts to identify the U.S. with right-wing military regimes.

Italy accused of subsidising fibres industry

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

THE BRITISH man-made fibres industry has complained to the European Commission alleging that the Italian Government is indirectly subsidising its industry.

It claims such subsidies are distorting competition and are contrary to article 92 of the Treaty of Rome.

A four-man delegation from the man-made fibre sector working party of the National Economic Development Committee has met Mr Frans Andriessen, commissioner for competition in Brussels, and the EEC's director general of the competition directorate, Sg Manfred Caspari. The delegation was led by Mr Philip Carter, the working party chairman and managing director of Littlewoods.

It sought to ensure that Italian assistance did not prevent that country's man-made fibre producers from fulfilling the obligations they undertook under the European fibre limitation agreement.

This agreement, signed in 1977, and now the subject of renewal talks, was intended to reduce capacity throughout the Community with plant closures spread throughout the member countries.

But from the middle of 1977, it is estimated that while EEC capacity has been reduced by 23 per cent that of the Italian industry has risen by 8 per cent.

Although the complaint was officially lodged by the British industry it is known that all the other Community members are equally concerned about the course adopted by the Italians.

For instance while capacity has been cut back by 54 per cent in the Benelux countries, 41 per cent in the UK, 40 per cent in France and 22 per cent in Germany, the Italians have increased their capacity.

It is alleged that the Italian industry has received massive assistance from its Government both directly and indirectly.

It has, for instance, received equity finance for companies through an increase of nominal capital. It has revalued fixed assets made direct payments to offset losses and maintain cash flow, invested in subsidising fixed and working capital deferred loan repayments and guaranteed credit lines at low rates of interest.

The Italians have replied that while Britain may not have assisted its fibres or textile industries, it has been giving considerable assistance to cars, steel and shipbuilding.

They also allege that France, Germany and Holland have, at various times, all assisted their own textile industries.

The problem in the European synthetic fibres industry is that since 1974 it has made heavy losses and imports have taken an increasing share of the market.

The British move has come at a time when the 1977 agreement is being renegotiated.

The UK industry is unwilling to pursue its case too strongly in case the agreement were not renewed.

This would be considered little short of "disaster" within the industry.

Scottish company in £22m deal with Cuba

By Mark Webster

SEADREC, a Scottish dredging company, has won a £22m contract for the design and construction of dredges and harbour craft for Cuba.

The Paisley-based company will supply a large cutter suction dredge and seven other vessels as part of a major programme of port and harbour development in Cuba.

The cutter suction dredge, costing around £10m, will be built at Appledore Shipbuilders in Devon, a subsidiary of British Shipbuilders.

It is the third large supply contract which Seadrec has won in Cuba since it started operating there in 1969. It is probable that the company will now open up an office in Havana.

The Export Credits Guarantee Department has guaranteed a £19m loan which Morgan Grenfell, the lead bank in a syndicate, has provided for the Banco Nacional de Cuba.

The order was placed by Empresa Cubana Importadora de Buques Mercantes y de Pesca, a purchasing agency of the Cuban government.

Seadrec is one of a small group of companies set up by Mr Jim Hamilton, its chief executive.

ECGD introduces interim rates

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

THE Export Credits Guarantee Department (ECGD) yesterday introduced a new pattern of interest rates that it is prepared to support for fixed rate export finance.

The rates are those suggested in Paris by Sweden on May 7 at a meeting of the 22 industrialised nations adhering to the international export credits Consensus, under the aegis of the Organisation of Economic Co-operation and Development.

The Swedish proposal, intended as a compromise between the differing views of the EEC and the U.S. on interest rates, would raise the cost of borrowing for relatively rich countries from 11.0-11.25 per cent to 12.25-12.5 per cent, and for middle income countries from 10.5-11.0 per cent to 11.0-11.6 per cent.

The ECGD move, officials explained, is to meet a request made by Mr Axel Wallen, the President of the OECD Export Credit Group, that the compromise rates be put in place as an interim measure, pending final settlement of the Consensus rates.

The Paris meeting broke up in disagreement, but it was accepted that if the Swedish proposals were approved by the nations by the deadline of May 25 the interest rate rise would be backdated to May 16.

The interest rate rise is accompanied by changes in the categories of borrowing countries. This change lifts the Soviet Union from the middle income to the relatively rich category and a number of newly industrialising countries from the relatively poor to the middle income category.

The ECGD wrote last Friday to banks engaged in export finance, informing them of the change, stating that "any new commitments entered into as from the date of this letter will specify interest rates observing the new minima."

But the UK Government generally has reservations about the level of interest rates suggested by Sweden.

Sir Geoffrey Howe, the Chancellor, went to the meeting of EEC Finance Ministers in Brussels yesterday.

He was believed to be seeking a reduction in the top level of the interest rate for middle income countries.

He was also thought to want the reclassification of countries from the relatively poor to the middle income bracket phased in, so that export credits can be offered with a maturity of ten years, instead of 8.5 years over a transitional period.

W. Germany and China forge trade links

BY JONATHAN CARR IN BONN

WEST GERMANY and China have started talks to improve trade ties following a period of uncertainty that resulted from Peking's policy of economic retrenchment.

Two days of talks began in the German capital yesterday between delegations led by Count Otto Lambsdorff, Bonn's Economics Minister, and Mrs Chen Muhua, the Chinese Foreign Trade Minister.

Among topics for discussion are prospects for more joint industrial projects in third countries, double taxation and investment promotion agreements.

In addition, Volkswagenwerk AG of Wolfsburg has been in negotiations with the Chinese for several years on a co-operation deal, understood to involve some form of local assembly of VWs in Shanghai.

VW has discounted reports that a deal would be signed during the visit of Mrs Chen but said it would be a matter of discussion.

The high German hopes of billion d-mark contracts in the mid-1970s seemed dashed when Peking embarked on a much more cautious economic development path.

However, the Bonn Economics Ministry says all major German-Chinese industrial projects which were initially stalled in 1981 because of Peking's new policy, are now to be fulfilled after direct talks between the enterprises concerned and the Chinese; but this will mean delay in carrying through some of the projects, for example the one for a major steel works at Baoshan near Shanghai.

For the future, German hopes concentrate in particular on small- and medium-sized co-operation projects in the mechanical and electrical engineering, chemicals, pharmaceuticals and agricultural sectors.

German companies have already concluded several licensing and know-how accords with the Chinese and some joint companies have been established, though there is a long way to go before China looms really large in West Germany's foreign trade.

Last year the Germans exported goods worth DM 2.3bn to China and imported goods worth DM 1.7bn. The total volume of DM 4bn is about one-quarter that of the trade between West Germany and the Soviet Union.

S. Africa reports fall in trade with Britain

By Bernard Simon in Johannesburg

THE IMPORTANCE of Britain to South Africa's foreign trade declined further last year, according to 1981 trade figures published by the Commissioner of Customs in Pretoria.

From being South Africa's largest trading partner until the mid-1970s, Britain has dropped to third place as a supplier and foreign market.

Japan overtook Britain in 1981 to become South Africa's second largest market.

British exports to South Africa rose by 24 per cent last year to R2.2bn (£1.18bn) but purchases from the U.S., now South Africa's leading trading partner, soared by 36 per cent to R2.7bn.

Imports from West Germany climbed from R1.9bn in 1980 to R2.4bn last year. South Africa's imports totalled R18.4bn in 1981.

Exports to the UK fell to R1.2bn from R1.4bn in 1980, mainly as a result of lower sales of some base metals, Krugerrand gold coins and canned fruit.

In contrast, South African sales to Japan rose from R1.2bn to R1.4bn. Japan is a fast-growing market for Krugerrands and is also the largest customer for South African maize.

Airbus Industrie decision on A-320 airliner expected

BY JAMES BUCHAN IN HANOVER

AIRBUS INDUSTRIE, the consortium of European aerospace companies, expects to reach a final decision this year on whether to go ahead with development of its $2bn (£1.08bn) short-to-medium-haul airliner, the A-320.

Speaking at the start of the Hanover Air Show, M Roger Beteille, general manager of the consortium, said he expected discussions to be completed this year on which members of the consortium are to participate in the 150-seat airliner project.

So far, discussions have been held up by uncertainty among the consortium members, including British Aerospace, over the financing they can expect from their various governments.

The company made clear that some members of the consortium might take smaller shares than they did in the case of the development of the 250-seat A-300 or 210-seat A-310, which receives its first public showing in Hanover today.

The company believes there is a long-term future for a narrow-bodied airliner, such as the A-320, outside the crisis-ridden domestic U.S. market.

The company is also encouraged by the flight tests on the A-310 which began at the beginning of April and have revealed fewer problems than in the case of the now established A-300.

Aerospatiale of France and Deutsche Airbus of West Germany hold the largest share of the project with 37.9 per cent each. BAe holds a 20 per cent share and Casa of Spain has the remaining 4.2 per cent.

Douglas still considering 150-seater joint deal

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MCDONNELL DOUGLAS of the U.S. is still closely studying the potential market for a new 150-seat airliner, but does not expect to commit itself to any development decision before the end of this year, or well into 1983.

The U.S. manufacturer some months ago severed by mutual arrangement its earlier agreement to develop such an aircraft with Fokker of the Netherlands, called the MDF-100.

Its new design, which offers some improvements over the MDF-100, is called the D-3300-1. This is still being refined, but broadly McDonnell Douglas sees it as being a twin-engined, short-to-medium haul aircraft, with two aisles in the passenger cabin, with six-abreast seating. The number of seats would be between 153 and 174.

It foresees a formal launch decision on the D-3300-1 some time around the end of this year or early in 1983.

The governing factor, apart from the need for a revival in the world airline industry's financial fortunes, is the availability of a suitable engine.

The company is looking at two candidates — the Rolls-Royce/Japanese RJ-500-35C3 of 23,800 lbs thrust, and the U.S. Pratt and Whitney STF-632 of 24,100 lbs thrust.

McDonnell Douglas says that, if necessary, it could finance development of such an aircraft from its own resources entirely.

Barbados hands U.S. air routes to BWIA

BY TONY COZIER IN BRIDGETOWN

BARBADOS has agreed to hand its air routes into three U.S. cities over to the Trinidad and Tobago national airline, BWIA International. The Barbadian Prime Minister, Mr Tom Adams, has hinted that his government is willing to recognise BWIA as the regional air carrier.

Mr Adams said that BWIA International would get Barbados's sanction to operate routes between Bridgetown and Boston, Baltimore and Washington—at one time serviced by the Barbados national airline, Caribbean Airways.

Agreement was reached on the transfer during talks last week in Port-of-Spain between Mr Adams and Mr George Chambers, Trinidad and Tobago Prime Minister.

Mr Adams said he believed that a regional air carrier, recognised by all commonwealth Caribbean countries, was desirable.

Mr Adams said his Government had approved a third BWIA International flight between Barbados and London but that had been held up because of objections from Britain.

UK order in Korea

BY ANN CHARTERS IN SEOUL

A £19.2m CONTRACT to import scientific equipment has been signed between the Korean Ministry of Education and Associated British Machine Tool manufacturers. The equipment to be used in 13 universities is for agriculture, fisheries, and pharmaceutical departments and is primarily intended for applied research with practical applications.

The agreement under negotiation for three years, will require another several months before the specifications for over 13,000 items are complete. The British company expects to tender bids early next year to UK companies, who have preference as suppliers since 85 per cent of the contract value is being financed over seven years by Britain's Export Credit Guarantee Department.

INSIGHT INTO JAPANESE TECHNOLOGY

One of a series of interviews by Mr. Dick Wilson and Dr. Yotaro Yanase

Casio: Advancing into high technology with unique products

Mr. Kazuo Kashio
Executive Managing Director

Casio is world's top electronic calculator maker, which is expanding into general electronics. Its unique products include digital watches, electronic musical instruments, electronic cash registers and office computers.

Casio's history is one of originality.

What has made it so successful is its unique ability to develop original products, using the most advanced technology. It is currently pushing ahead with its research and development efforts through its two main pillars, the Development Center and the Technology Department.

Casio's uniqueness also shows in several other ways. In its production, Casio is employing its own new, automated manufacturing methods. And in its business operation, too, Casio is constantly seeking new strategies.

In the last ten years to 1980, the company's sales increased ten times to yen 157 billion.

Casio exports to more than 140 countries all over the world, with bases in the U.S., West Germany, England, Taiwan and Australia.

Casio is not one of the world's long-established giants in electronics. Its payroll does not exceed 3,300 and it celebrates its silver jubilee next month.

Yet last year Casio became the first to market the Very Large Scale Integrated (VLSI) circuit in products such as the mini electronic musical instrument, dubbed the 'one-keyboard VL 1', or the VT-100 voice translator.

The latter serves as translator, speaking interpreter, dictionary (over 2,500 English words), watch and calculator all rolled into one.

How does Casio do it? Kazuo Kashio, Executive Managing Director and the third of the four famous Kashio brothers who started the company, explains:

New management system

Kashio: First of all, we introduced a new management system replacing the traditional concept of seniority.

Most Japanese companies assess and reward a man according to his position or title. But our employees are rewarded according to his ability, not his age. Casio places more emphasis than other companies on small group activities, project teams and unique qualification systems. It furthermore gives more responsible jobs to younger members of the staff as a way to encourage individual creativity.

The other vital ingredient is, of course, research and development. As its motto, 'development is merely management' underlines, Casio devotes three per cent of sales revenue to finance its research and development activities, including wages for its 500 researchers, engineers and scientists. In addition, it is planning to build a new laboratory to supplement the existing one at Hamura.

An interesting feature of Casio's operation is that it does not manufacture all of its own chips, given its monthly production of 2½ million calculators and 2 million watches, all using LSI.

Kashio: To produce all the LSI's and VLSI's ourselves would require a big investment and research. We are, of course, conducting basic research on the designs of the chips we need and also we have capability of LSI's production with an advanced technology. But we don't plan to go into it in a big way ourselves. Instead, it would far more efficient to commission other companies to manufacture them for us.

Yanase: You have come to specialize in what one might call compound products, combining functions of many different articles. Will you continue in that way?

Kashio: Our company is ready to handle whatever electronics-related products consumers want. So far watches have been considered mechanical products, made by only a couple of manufacturers. At the beginning of this year we marketed our 'Walking Dictionary' watch. By using a VLSI in a watch for the first time, we transformed it into a piece of information equipment. In addition to conventional functions of setting off alarms and telling international time, the watch stores hundreds of basic English words and phrases.

Another example of compound functions is the Casio Mini Pocket-size electronic calculator, which carried electronic calculators into a new era in Japan ten years ago.

Its remarkable technical feature is its circuit design. The number of LSI chips was reduced from the usual four to only one, on the assumption that for some time there would be no dramatic improvements in either LSI's or display tubes.

Thus way, the product was greatly simplified and the price reduced by one third.

New electronics technology

Kashio: We are now in the market with some new electronics technology, and what I said about watches could also be applies to musical instruments. Here again the field was conventionally occupied by a small number of manufacturers.

Casio challenged the industry with a new concept. The famous Casiotone, a completely new musical instrument, appeared on the market in 1979. The compact, electronic instrument reproduces the sounds of 29 different instruments.

Two years later, the company introduced an even simpler version for amateur musicians, the Casio One-Keyboard VL-1. A person can 'play' 'listen' or 'compose' by pressing the keyboards with his finger.

Kashio: This is a new era, and a big feature of it is the wide choice of quality of sounds which instruments can be made to reproduce. Yet 90 per cent of the population are not able to play instruments. We provide instruments that anybody can play. Another example is our Melodylamp, which lights up to show which key on the keyboard to strike.

Wilson: I see that while calculators account for about half of your sales, and watches another 37 per cent or so, you have a small production of office computers. Do you have a programme for Office Automation products?

A concept of Office Automation

Kashio: A definite concept of OA has not yet crystallized. Of course, office computers and facsimile will be major lines in the future and we will be among those developing them. But they should be part of an overall system and coordinated with other machines. Similarly the personal computer should be linked with word processors.

About two-thirds of Casio's output is exported to more than a 140 countries around the world including the US, West Germany, England, Taiwan and Australia.

The company expects to enlarge their overseas presence, but it is not easy to 'export' production or manufacturing itself when the products are by their nature mass-produced in order to keep prices down.

Such a highly rationalised and robotised production system does not lend itself to large-scale investment overseas, quite apart from the problems with meeting other countries' terms about employing local personnel, and using local components.

Nor is there the same incentive which other industries may have to manufacture abroad, in the sense that Japan in any case accounts for 90 per cent of world production of calculators.

Casio's sales have grown ten-fold in the past ten years, and turnover has now reached 400 million pounds. What are the sales targets for future?

Kashio: We intend to double our sales in the next three or four years, by expanding our existing products and introducing new ones. We hope in fact to bring out a new product every year, and thus maintain the rapid growth of recent years.

We now have on our list more than two hundred different kinds of calculators and 230 kinds of watches, leaving discontinued lines aside. In the case of our most popular product, the HL809, the demand is for half a million monthly. We regard a demand of only 3,000 a month as the bottom line, below which production is no longer justified. The only way we could beat the recession is for us to go into new markets with new products. If we had stuck to calculators of the kind we used to make, we would long ago have reached saturation point. But by combining them with new ideas like games, or melody functions, we can keep a hold on the market."

Yanase: How would you rate the quality of the products coming from your competitors in Korea and Taiwan?"

Kashio: They are still behind in research and development. Their strength lies in making a limited range of products using standard chips with more cheaply.

Once they get something accepted, they can do well as they do with lower-priced of watches. Even so, we intend to compete there, too, at the lower end of the market. We have a 4.99 pounds watch, for example, and a more sophisticated digital one, too.

A watch used to be a status symbol like a lighter. Just as cheap lighters have now replaced expensive ones, and the same has happened with watchs. The cheaper ones work very well. What people really want fromt their watch is for it to function well, look nice and not cost too much.

The status symbols of the future will surely have higher functions including memory and a speaker."

Casio's corporate plans for the future are far-sighted and sweeping — as is the view of Tokyo which their executives get from their headquarters on the 39th floor of the lofty Sumitomo Building in Tokyo's swanky Shinjuku district.

UK NEWS

Concern at build-up of Japanese car stocks

By Kenneth Gooding, Motor Industry Correspondent

THE UK motor industry is becoming concerned about the build-up of stocks of Japanese cars in Britain and will raise the matter when talks take place in Tokyo next week.

Car shipments from Japan to the UK totalled 90,000 in January-April this year, whereas sales reached only 53,500, down from 63,000 in the corresponding period of last year.

The Japanese share of the UK market has therefore been reduced from 11.37 per cent in the first four months of last year to 9.71 per cent.

This was well within the 10 to 11 per cent market share that the British expect the Japanese to register for the full 12 months.

However, shipments can be rapidly changed into sales, and representatives of the UK Society of Motor Manufacturers and Traders will be seeking more information about the Japanese plans when they meet the Japanese Automobile Manufacturers Association in Tokyo on May 26 and 27.

The subject has some urgency because the UK industry has recently reduced its forecast of car sales in 1982. Registrations are now predicted to be 1.48m, or roughly last year's level, compared with the 1.52m to 1.55m forecast by the society in January.

The industry-to-industry talks are now in their seventh year and have resulted in the Japanese voluntarily restraining shipments for most of that time. The latest round of meetings will take place in a more-or-less cordial atmosphere because the Japanese have been living up to their undertakings in the past few months.

In particular, they have cut dramatically their share of the light commercial vehicle market—a subject which provoked a furious row last year.

Only 4,600 light commercial vehicles were shipped from Japan to Britain during the January-April period this year, while registrations have been cut from over 6,000 to about 4,500.

The major Japanese vehicle importers have been told that their 1982 allocations for light commercials have been cut by at least 30 per cent from last year—and in some cases by more than half.

IMI plans commercial property development

BY ANDREW TAYLOR

IMI, the Birmingham-based metals and engineering group, has announced plans for a major commercial property development which could eventually occupy half the company's 220-acre industrial and headquarters site at Witton, near Birmingham.

IMI has joined a number of leading industrial companies, including GKN, Birmid Qualcast and Courtaulds, which are to develop industrial estates on unwanted factory sites.

A large slice of the Witton site has become surplus to requirements because of cuts, modernisation and rationalisation within various IMI divisions.

As a first phase IMI is seeking planning permission to develop about 45 acres. Proposals call for a 50,000 square feet retail development; six industrial units ranging from 12,500 square feet to 45,000 square feet and a 400,000 square feet warehouse or distribution centre that can be occupied by one tenant.

IMI has still not decided on the best method of funding the development, which it says it would prefer to retain as a long-term investment. Thefirst phase is likely to cost between £15m and £20m. Richard Ellis has been appointed development consultant.

Further redevelopment of the site will depend upon the successful letting of the first phase which could take four to five years to complete.

IMI has decided to redevelop the land because of the complexity of the site and the current difficulty of selling standing industrial premises in a highly competitive market. A number of unoccupied buildings are low grade.

IMI will continue to occupy about half the site where it has its headquarters and a number of operating divisions which will remain. About 4,000 workers are employed at the site compared with 7,000 in the mid-1970s and 20,000 during the Second World War.

Much of the site has become surplus to requirements following the closure of a zip-fastener factory about two years ago and as a result of improved production techniques in the manufacture of ammunition for sporting guns.

These enable the priming of percussion caps to be carried out within a single building instead of a series of low-level buildings spaced well apart.

Rationalisation of other IMI interests has also released additional land at Witton which is situated along the M6 about three miles north of Birmingham city centre and adjacent to Spaghetti Junction.

Redeveloping factory wasteland, Page 23

No action to be taken on saleroom allegations

By Antony Thorncroft

THE Office of Fair Trading has decided no action should be taken on allegations that Sotheby's and Christies jointly introduced a buyers' premium in 1975 through an unregistered restrictive agreement.

The fine art dealers submitted evidence to the OFT director-general supporting their claim there had been collusion between the two leading auction houses but, on legal advice, Mr Gordon Borrie, director-general, dropped his investigation.

The decision removes a cloud from the sale rooms. They are having a difficult season, with the recession affecting prices of works of art. Financial disaster would have resulted had the legal action not been lifted, for the houses could have been forced to return all premium money collected in the past eight years.

The hope now is auction-houses and dealers can sink differences and work to restore London's position as an art centre.

South Wales coalfields face conflicting pressures

Robin Reeves looks at miners' strike threat over colliery closures

THREATS of another miners' strike over pit closures emerged from last week's annual conference of South Wales miners in Porthcawl, even though only 15 months have passed since Mr Emlyn Williams, the Welsh NUM leader, led the coalfield out on strike over the issue.

They won what seemed a famous "victory" over the Government and the National Coal Board and the pit closures programme was withdrawn.

Tomorrow, Mr Arthur Scargill, the new NUM president, is promising to deliver the same militant message at a meeting with the NCB. He will tell the board that the miners are deply concerned at talk of further contractions, at the level of imports of coal and oil for electricity generation, and are prepared to defend their industry and jobs, if necessary by industrial action.

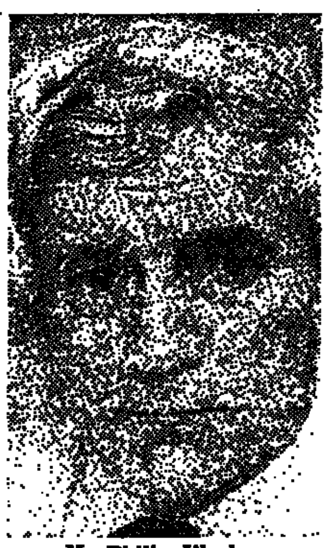
In South Wales, at least, the mood is defensive, rather than offensive, a recognition that the problem which led to last year's closure programme — soaring financial losses — remains. The word is that the South Wales coalfields' deficit is likely to be significantly higher than £100m in the 1981-82 financial year just ended, whereas the NCB is expected to break even overall.

Since last year, there have been pit closures and manpower cuts in South Wales. They have included the shutdown of Coegnant colliery, near Maesteg, where the banner of revolt against the closure programme was first raised. The century-old colliery simply became unworkable.

But these economies, accepted by local NUM leaders, have been insufficient to reduce the higher financial losses arising from the recession — the high interest charges on unsold coal stocks and depressed prices for the coal that has been sold at home and abroad.

In the circumstances, Welsh miners' leaders have good reason for expecting renewed pressure to close some of the area's loss-making pits. "The resistance of February 1981 was a shadow compared with how we will protect our jobs in the immediate future," Mr Williams told the conference delegates representing the coalfields' 24,000 miners.

The man caught in the middle is Mr Philip Weekes, the NCB's



Mr Philip Weekes

South Wales director. A Welshman who began his career as a colliery manager in South Wales in the 1940s. Mr Weekes worked in other British coalfields and at the NCB's London headquarters before returning to Wales as area director in 1974.

Some four years ago, he was publicly predicting that the coalfield's finances would be by now approaching break-even, not least because a capital investment programme, the first of any substance for many years, was beginning to produce results. Its centre-piece and the first new pit in South Wales for many years was the Betws drift-mine, one of the most profitable collieries in Western Europe.

The Betws experience also showed that the Welsh miners were prepared to co-operate with closures, given investment in the coalfield's future. The mine was manned from nearby pits, which were then closed.

Mr Weekes' break-even forecast went badly wrong because of the sudden, drastic cuts in the steel industry — a major market for Welsh coal.

The British Steel Corporation's decision to halve output at its two South Wales steel plants, at Llanwern and Port Talbot, not only reduced potential sales of Welsh coking coal by the same amount, but the position was made worse by a decision to switch to supplying Port Talbot exclusively with imported coking-coal supplies.

One result of last year's closures strike was that, as contracts for U.S. and Australian coking coal imports expired, BSC agreed to resume purchasing about 400,000 tonnes of Welsh coking-coal a year for Port Talbot. But the contract stipulated, as at Llanwern, that the price should match world cooking-coal prices, which can be depressed.

Another uncertainty is that the Central Electricity Generating Board is talking of phasing out its Aberthaw "A" power station on the South Wales coast, which has been a major customer for Welsh coal. The future of the Phurnacite smokeless fuel plant at Aberaman, which absorbs the output of several pits, is also insecure.

Mr Weekes is known to believe that another confrontation can be avoided, and that the Welsh miners would agree to an accelerated closure of major loss-making pits if there is a gesture of confidence in the future of the coalfield.

He has made no secret of his belief that a trade-off can be made between closures and the go-ahead for the Margam "super pit," a prestigious new mine which was close to getting the go-ahead before the onset of the steel crisis.

Margam is on the doorstep of Port Talbot steelworks, and is the largest major reserve of prime coking-coal left in the UK. More than £2m was spent in 1977-78, sinking 13 bore holes and carrying out 43 kilometres of seismic survey lines to establish that the area contains eight coking-coal seams, including the Gellideg seam, which extends across South Wales.

Margam's development would be expensive—about £200m in eight years. This would be for sinking two 900-metre shafts to exploit the three thickest seams, each more than six feet thick and forecast to yield 101m tonnes of coal.

However, Margam would guarantee an indigenous source of top quality coking-coal to balance dependence on imported supplies and, in spite of the initial expense, it should still make a good operating profit.

Even after the established reserves have been discounted by half to allow for faults and support pillars, Margam should yield a minimum of 1m tonnes of coking-coal a year for 50 years from the early 1990s, and provide jobs for 800 miners.

The signs are, however, that unless the Government is prepared to forget about last year's humiliation and clear the way for some horse-trading between old collieries and a new one, another confrontation over pit closures cannot be ruled out.

The only other possibility is continuing heavy financial losses in South Wales.

Unemployment has held private sector wages down, says study

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE DOUBLING of unemployment during the last two years has held wages in the private sector to about 17 per cent below what they would otherwise have been, says a study published today by the Economist Intelligence Unit.

However, the analysis suggests that the growth of public sector wages depends much more on political factors than on economic activity or unemployment.

In an article in the spring 1982 issue of the unit's UK Economic Prospect, Mr Paul Ormerod and Mr Paul Capella say they have found a striking difference between the way in which public and private sector earnings appear to be determined.

They write: "The movement of wages in the non-trading public sector closely reflects the narrative history of the various 'ons and offs' of incomes policies during the 1970s."

For this reason they believe, previous attempts to explain the movement of wages as a whole in terms of the pressure of demand and other economic factors have been unsuccessful.

However, when the pattern of private sector wages was considered on its own, they found a close relationship with the behaviour of the economy as a whole.

In the study of wages from 1971 to the second half of last year, they say they found a close and positive relationship between private sector wage increases and the level of unemployment.

The conclude: "Incomes policies are clearly crucial in the non-trading public sector, but appear to have little effect on the rest of the economy."

However, they believe that incomes policies may have a weak indirect effect on the private sector through the example set by the public sector.

In its latest forecast for the UK economy, also published today, the Economist Intelligence Unit says it expects the annual inflation rate will fall to about 10 per cent this year. But it does not expect a slow-down in the growth of earnings in the 1982-83 pay round.

Consequently it predicts inflation will stay at just over 10 per cent next year before falling to 8.7 per cent in 1984.

The prediction for UK output is slightly more optimistic than in the EIU's previous forecast; but a little less than the Treasury's projection of 1.5 per cent growth this year.

By the spring of 1984—the latest date for a general election—the Economist Intelligence Unit predicts real output will have recovered to about the same level as at the time of the 1979 election. However, manufacturing output will be 12 per cent lower. Unemployment is expected to continue to rise until mid-1983, when it will fall by about 100,000 during the spring of 1984.

* UK Economic Prospects, EIU 27, St. James's Place, London SW1 1NT.

ECONOMIST INTELLIGENCE UNIT FORECAST FOR UK PER CENT INCREASE AT 1975 PRICES

	1982	1983	1984
Output	1.3	2.3	2.0
Exports	4.2	3.0	4.5
Imports	9.6	4.8	6.0
Retail Prices (annual % increase)	10.6	10.4	8.7
Unemployment (% of labour force)	12.1	12.5	12.1
Balance of payments current account (£bn)	3.6	2.7	0.5

Milk Board alleged to be forcing bulk butter exporter out of market

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE Milk Marketing Board was alleged in the Court of Appeal yesterday to be forcing out of the market a company that last year handled 21 per cent of the bulk butter exported from the UK.

The board's decision to exclude Garden Cottage Foods from the companies to which it will in future contract to sell butter for export was an abuse of its dominant position in the market and a breach of Article 86 of the Treaty of Rome, which deals with fair competition, the company alleged.

Garden Cottage Foods appealed against a Commercial Court refusal to make a temporary order requiring the board to continue to supply butter to the company, pending a decision in the company's forthcoming legal action.

It is the first time the English courts have been asked to grant an injunction for an alleged breach of Article 86.

Mr David Vaughan, QC, for Garden Cottage Foods, said its only employees were Mr Christopher Bunch and his wife, of Crowboroguh, Sussex, who started the business in May 1980.

Butter exports accounted for about 80 per cent of the company's turnover, and it bought 90 per cent of its butter from the board, which had a statutory monopoly in England and Wales.

In 1980 the company bought more than £2m of butter. Last year it bought more than £20m—21 per cent of UK bulk butter exports.

In March the board told Garden Cottage Foods that it had decided to restructure its sales and distribution organisation and restrict its sales to four named distributors—all competitors of Garden Cottage Foods—at least two of which dealt with the company's major customer in Holland.

The board said Garden Cottage Foods could buy butter from one of the four.

Mr Vaughan said such an arrangement would mean Garden Cottage Foods changing from being a wholesaler to a retailer. It would have to buy at a higher price than its competitors and would be unable to compete in the export market.

Mr Justice Parker in the Commercial Court had held that the company had an arguable case that the board had a dominant position and also an arguable, though weak, case that the board had abused that position in breach of Article 86.

But the judge had refused to grant a temporary injunction, saying damages would be an adequate remedy for Garden Cottage Foods if it won its case. He also took the view there would be problems in drafting a workable injunction.

Even if damages were available they could not be an adequate remedy if the company had been driven out of business.

The hearing continues today.

Jersey government plans takeover of waterworks

FINANCIAL TIMES REPORTER

JERSEY'S GOVERNMENT proposes to spend more than £1m to acquire a controlling interest in the island's waterworks company if local MPs and shareholders agree.

The Jersey New Waterworks Company, a 100-year-old public company, has been shaken by political controversy and a shareholders' revolt. Conservationists have resisted a plan to create a reservoir by flooding a beauty-spot, the 28-acre Queen's Valley.

Last year's revolt was defused by appointing to the board three shareholder representatives. Mr Colin Tett, a London-based accountant, was one of the new directors. He bought into the company at the end of 1980 and claims to control about 25 per cent.

He resigned before last month's annual general meeting and launched a takeover bid because he did not consider the government offer "halfway reasonable."

Jersey proposes a partial offer for half the 16,800 issued £5 ordinary shares at £49 a share and to subscribe £754,600 for 15,400 new A £5 ordinary shares at £49 each. These could carry special voting rights, equal to twice the votes cast by all other shareholders.

Mr Tett offered £35 then £40 per ordinary share, conditional on most directors recommending his bid and accepting it for their holdings.

The directors rejected his offer. They accepted Jersey's because the public-utility role had to be balanced against strictly short-term financial criteria.

Mr Tett told the London Stock Exchange that if the plan for a public controlling interest in the company were accepted by shareholders and the island parliament he would not pursue his bid.

Nightrider train may create others

BRITISH RAIL'S all-first-class overnight London-to-Scotland train was due to leave King's Cross at 22.05 hrs last night to inaugurate a nightly service. A similar train will set out from Aberdeen at 20.30 hrs nightly.

Fares on Nightrider were set at a level which BR says will fight back against cut-price coach-operators on the long haul between London and Scotland.

A first-class London-Edinburgh seat costs £12, less than one-third of the ordinary first-class fare. London to Glasgow and Falkirk is also £12, the fare to Kirkcaldy and Dundee £14, and to Aberdeen £16.

BR says the trains could be forerunners of others which allow travellers who have to eke out their spending money to be able to travel first-class.

Shotton steelworks moves out of red

SHOTTON STEELWORKS has moved out of the red for first time in eight years. Demand for its specialist steel-coated products is still rising, with a total weekly throughput of about 13,000 tonnes compared with an all-time low of 7,000 tonnes more than a year ago.

Management said March was the best month for years. Production and financial achievements were exceptional. British Steel Corporation refused to reveal figures but union sources said the plant had broken even in March for the first time since about 1974. A steel-galvanising production-line is being returned to service.

Ministers to discuss Toxteth criticism

CRITICISM OF the education service in Toxteth, Liverpool, by government school inspectors, will be discussed by local education chiefs when they meet Sir Keith Joseph, Education Secretary, and Mr Michael Heseltine, Environment Secretary, next Wednesday in London.

Last week's inspectorate report criticised mainly the local education authority's management of resources rather than lack of them.

Van Heusen closing Watchet factory

VAN HEUSEN, the shirt-makers, is to close its Watchet, West Somerset, factory at the end of the month, making 135 redundant. A year ago the company closed its Taunton factory with the loss of 200 jobs.

Mr Kevin Loftus, managing director, said yesterday the cut was due to a drop in demand for formal shirts in Britain and Europe though leisure-wear output was rising. He said the workers were not being offered alternative employment in the group.

Cheaper air travel likely with new charter rules

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

NEW RULES for holiday charter flights between the UK and Western Europe, announced by the Civil Aviation Authority yesterday, could lead to cheaper air travel to many holiday destinations from provincial airports.

Under the new rules—which still require the approval of the destination countries—any airline flying package-tour holiday passengers to the Continent from UK airports other than Heathrow, Gatwick, Stansted and Luton, will be allowed to offer up to 15 per cent of its seats to "travel only" passengers.

Hitherto, travellers have generally been obliged to buy both air travel and hotel accommodation. This has prevented many potential travellers (such as villa owners and even businessmen) from travelling quickly and conveniently from UK provincial centres to parts of Europe not served by regular scheduled flights.

The rules, if accepted, could change this entirely. The plans are seen as another major step in the UK's broad strategy of trying to bring down the cost of air travel in Western Europe.

It would become possible for passengers who want only air travel to fly between provincial centres and those European cities not already served by scheduled services.

The big question still outstanding is whether the foreign countries—mainly in Western Europe—will agree to accept the scheme, at least on a trial basis.

Talks are starting with those countries, but it could be some time before agreement is reached and the "travel only" seats can be sold.

The countries may feel that the "travel only" concept, even on such a limited basis, could undermine their own scheduled service operations.

To reduce possible opposition, the CAA has specifically ruled out the scheme for any holiday flights from the London area. It feels there are adequate scheduled services available from the London area to meet travellers' needs.

In addition, some destinations served from Manchester, Birmingham, Glasgow and several other provincial cities are also excluded, for the same reason. The rules would not apply to flights to Gibraltar.

The authority sees its plans as modest, and hopes that the destination countries will respond favourably. But it stresses that until they have accepted the scheme, the "travel only" tickets cannot be offered.

Britannia Airways, which was one of the prime movers in the bid to allow "travel only" seats for sale on holiday charter flights, yesterday welcomed the authority's decision.

It suggested that, if the scheme is implemented, it could save passengers up to £128 on a flight between Manchester and Venice, and give comparable savings on other charter flights from provincial cities.

But Britannia also argued that the authority should permit the scheme to operate from airports in the London area. It said it was unreasonable to exclude those living in the South-East or who used the region's airports.

● British Airways is experiencing a "modest" improvement in passenger numbers and forward bookings for the summer months are also promising, says Mr Roy Watts, group managing director.

Writing in the latest issue of British Airways News, he says that the small growth in traffic in April suggests that "while things may not be getting very much better, perhaps, they have at least stopped getting worse."

● Many airlines worldwide are resorting to "malpractices"—such as offering fares below the officially agreed levels—in order to win traffic during the recession.

A survey of airline practices being conducted by the International Air Transport Association indicates that many airlines are still giving travel agents inflated commissions, in some cases as much as 40 per cent, in a bid to win more ticket sales.

Mr Raymond Cope, IATA's assistant director-general of traffic and industry finance, said his hope that practices were returning to a more normal state was dashed by early returns from the survey, which is due to be completed in June.

BR to pay damages over theft of cheese

By Raymond Hughes, Law Courts Correspondent

THE THEFT of 975 cartons of imported French cheddar cheese led to an award of FFr 220,122 (£20,011) damages against the British Railways Board in the High Court yesterday.

Mr Justice Stephen Brown ruled that BR was liable to pay the damages to the French supplier of the cheese, as it had been in the care of BR's subcontractor when it was stolen. But the judge said BR was entitled to be indemnified by the subcontractor, K. Milligan.

The dispute turned on a telephone conversation in which the UK agent of the French supplier, Société Anonyme Des Fermiers Reunes, arranged with a man it understood was an employee at BR's depot at Park Royal in London for the delivery of the cheese to a company in Woolwich.

The cheese arrived at Woolwich too late to be unloaded that day, and was left on Milligan's trailer overnight. Both trailer and cheese were stolen and never recovered.

The French company contended that BR undertook to deliver the cheese, engaging Milligan as its agent or subcontractor to make the delivery.

BR denied any knowledge of the telephone conversation and denied having contracted to deliver the cheese to Woolwich. It said it had stopped making any deliveries two months earlier, when National Carriers ceased operations.

The judge said he was satisfied that a BR representative at Park Royal had undertaken to make the delivery.

Communications gold mine under the streets

Guy de Jonquieres describes Britain's buried treasures

WHAT DO British Rail, London Transport and N. M. Rothschild, the merchant bankers, have in common? One answer is, investments in holes in the ground which may soon yield unexpected dividends as a result of changes in Government policy towards telecommunications and cable television.

The holes consist of thousands of miles of ducts, pipes and tunnels honeycombing the earth beneath the streets of London and its suburbs. Some have long outlived their original purpose and lie disused, but over the next few years they could take on a new lease of life carrying modern communications cables.

The Government has put a high priority on plans for the "re-wiring of Britain." In February, it licensed the Mercury consortium, headed by Cable and Wireless, to build an independent communications network. It is expected later this year to give the green light to expanded public and private investment in cable television systems and advanced two-way video communications circuits.

In London, it is impractical to lay cable above ground, and digging up the road is immensely expensive, costing as much as £800 per metre. There are legal obstacles, too, since the right to make holes in streets and pavements is restricted to a handful of organisations, mostly nationalised industries. There could thus be strong demand for alternative rights of way, or wayleaves.

London Transport realised some months ago that it might be sitting on buried treasure. It set up a task force headed by Dr Henry Fitzhugh, its chief scientific adviser, to draw up an inventory of its subterranean network and to sound out prospective customers.

As well as its underground railway, which has half a dozen Thames crossings, London Transport possesses about 1,000 miles of ducts which once carried tramway power lines. These lie mainly south of the river.

London Transport already provides wayleaves for about a dozen organisations, including British Telecom and Visionhire, the cable television operator. Revenues range from several thousand pounds to as little as 5p a year.

Discreet approaches to about 20 other organisations have so far yielded positive responses from Mercury and Greenwich Cablevision. Mercury is planning initially to link customers in London by means of microwave radio, but is interested in installing cable connections.

London Transport stresses that discussions are still at an exploratory stage. The issue is somewhat sensitive, because London Transport is not yet sure of the attitude of its unions, whose colleagues at the Post Office Engineering Union are unhappy about the challenge Mercury is likely to pose to British Telecom.

British Rail, which has already agreed to carry Mercury cables across the country in ducts alongside its track, is interested in the possibility of providing wayleaves in London. But it does not appear to have taken the matter as far as London Transport.

The Central Electricity Generating Board also has extensive wayleaves in London, and has in the past considered building its own national voice and data communication system. But laying new cable would mean switching off the electric power while construction work was under way.

Unlike the organisations mentioned so far, Rothschild did not inherit wayleaves in London, but acquired them. It is a major shareholder, along with Trident Television and various unnamed interests, in a consortium which bought 80 per cent of the London Hydraulic Power Company (LHP) for £1.2m last September.

LHP owns 160 miles of empty cast-iron piping in inner London. The system was built to carry water under pressure, and was once used to operate most of the lifts in London and to raise and lower Tower Bridge and the stage at the London Palladium.

It ceased functioning in 1977, but in the same year, Parliament gave it the right to serve as a telecommunications system. One section of the piping is used to carry a high-capacity optical fibre cable which transmits data between traffic computers in Scotland Yard and County Hall, the headquarters of the Greater London Council on the south bank of the Thames.

Rothschild is reticent about exactly how the consortium plans to use the LHP network. But it has confirmed that it is talking to prospective customers.

British Telecom's network of underground ducts is probably the biggest in London. Its cables run under almost every street and pavement, and the organisation is unsure exactly how big the system is. Its plans are stored on thousands of separate documents and it fears that some of its early records may be missing.

Roger Taylor

London Hydraulic Company tower.

Changes in airport management

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE *British Airports Authority*, which runs Heathrow and Gatwick and other major airports in the UK, is reorganising its top management. The aim is to gear the authority for the major developments expected in the 1980s.

Increased authority will be invested in Mr John Mulkern, the group managing director, leaving Mr Norman Payne, the chairman, and other board members to concentrate on long-term strategic policy and the monitoring of the *authority's overall performance.*

A commercial development director will be appointed, responsible for the authority's income from commercial activities (such as duty-free sales) and rents and concessions, which provide up to 40 per cent *of the authority's total income.*

Managers of individual airports and other sections of the authority are to be given greater freedom in running their affairs, while greater emphasis will be placed on corporate planning.

Mr Payne says that if the authority is to remain efficient in the market-place it "must be ruthlessly efficient in all areas."

One of the major changes is that Mr Mulkern, as managing director, will be able to sanc*tion spending of up to £2m on* any project, instead of £500,000 at present. He will be passing on some of this delegated financial power to other senior managers so they can authorise spending on significant projects without reference to him.

Prince reveals estate jobs plan

BY LORNE BARLING

PRINCE CHARLES announced yesterday that the Duchy of Cornwall is financing the conversion of a number of old farm buildings on its estate to small workshop units in an effort to create employment.

The project is being under*taken with the assistance of the* Council for Small Industries in Rural Areas (Cosira), and is also intended to encourage landowners to improve derelict buildings for similar use.

Prince Charles yesterday presented awards to the winners *of a rural employment competi*tion, sponsored jointly by the Country Landowners Association and Cosira, at Street Farm, on the Highgrove Estate, Gloucestershire.

He said he welcomed the *opportunity to improve build*ings "in my own backyard" and hoped to provide premises at Street Farm for three or four small companies, including light engineering and electronics concerns.

Lord Middleton, president of *the CLA, said the problem of* unemployment in rural areas had long been overlooked, because of the comparatively small numbers involved.

There was nevertheless a high degree of under-employment, which contributed to urban *problems because people drifted* to the towns and cities in search of jobs.

One reason for this was that less land was being let, since owners were increasingly farming it themselves. But landowners, if encouraged, could create jobs at a far lower cost than Government agencies, he said.

The joint winners of the competition, *which was open to* entrants from the south west of England, were Sandiford Farm, *Mosterton, Dorset,* and Hunstrete House Hotel, Chelwood, near Bristol.

A number of farm buildings at Sandiford Farm have been converted into holiday homes and a shop, creating a small number of jobs, and the hotel *has been developed from an* 18th century manor house and stable building.

A prize of £1,000 was shared between the two enterprises, and similar competitions will soon be held

Powered two-wheeler sales fell sharply last month

BY JOHN GRIFFITHS

REGISTRATION statistics for April show that powered two-wheeler sales dropped by 35.05 per cent to 20,211 from 30,596.

***The figures are misleading,* however, because over the same period last year many registrations were brought forward to escape the imposition of car tax on motorcycles introduced in the 1981 Budget.**

The Motorcycle Association has devised an index, based on the monthly pattern of sales in the last "normal" year, 1980, aimed at ironing out the distortion. Thus when the index is used, last month's sales were down 21 per cent from the 25,548 calculated *sales if last April had been a* normal month.

The distortion shows up even more strongly in registrations for the year so far: 62,979, a drop of nearly 56 per cent from last year's 141,948. Using the index figure of 78,697 for 1981, however, the fall is reduced to 20 per cent.

Proposals for state industry audit backed

By Mark Meredith, Scottish Correspondent

THE *SCOTTISH Consumer* Council yesterday backed proposals to improve methods to monitor the performance of nationalised industries. Mr Peter Gibson, council director, was commenting on government plans to improve nationalised-*industry consumer councils'* effectiveness.

He supported the National Consumer Council's auditing proposals for state industries.

Phoenix loses war risks premium case

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

PHOENIX SHIPPING Company *was liable to pay the owner of* a chartered vessel $116,182 (£61,439) in additional war risk insurance premiums incurred as a result of the vessel entering the Gulf, the Commercial Court has ruled.

The company had contended *that* under the terms of the charterparty under which it had operated the vessel, its liability was $9,249.

The dispute over the extent of the charterer's liability centred on a clause in the New York Produce Exchange form of charterparty. The court had been told that the wording of the clause had led to a number of disputes between owners and charterers.

Clause 53 said: "Premium for basic war risk insurance on hull and machinery and crew always to be for owner's account, but any additional premiums . . . in respect of these risks arising from the vessel proceeding . . . to areas . . . designated as excluded areas . . . to be for time-charterer's account."

Phoenix chartered the vessel Apex from Apex Shipping Corporation, which had insured it *against war risks with the Hel*lenic Mutual War Risks Association (Bermuda). Cover was $9.5m in respect of hull, materials, machinery, etc., under Rule 2(A)(i) of the club rules, and for $2m in respect of freight etc. under Rule 2(A)(ii).

Phoenix challenged a decision of arbitrators that it was liable to reimburse Apex for the addi*tional premiums calculated on* the total values for which the vessel was insured under Rule *2(A)(i) and (ii), and in respect* of cover against detention or diversion expenses under Rule 2(B).

Phoenix argued that because clause 53 referred to "hull and machinery," Apex could recover only the additional premiums *relating to Rule 2(A)(i).*

Mr Justice Mustill said that the expression "hull and machinery" could apply *in two* different contexts: in an insurance contract as part of the definition of the cover; or, as used in the shipping world in a *looser sense, as a short*hand way of describing a type of cover.

The expression had no precise fixed significance in the *market, said the judge. In par*ticular, it did not refer only to insurance where the subject matter was described as the "hull and machinery" of the vessel.

Given that it had no fixed significance, what did "hull and machinery and crew" describe in the context of war risk insurance?

The judge's opinion was that it meant no more than "ordinary" war risk insurance in respect of the vessel, plus war risk insurance in respect of her crew—"ordinary" in the sense of the kind of insurance a charterer would expect the vessel to *be carrying.*

In the ordinary way, all the risks listed in Rule 2 would form part of the central core of cover provided by the Hellenic *Association.* It was therefore legitimate to construe "hull and machinery and crew" as referring to that central cover, plus crew cover, said the judge.

He upheld the arbitratotrs' decision and dismissed Phoenix's appeal.

Power workers vote for pay strikes

BY IVO DAWNAY, LABOUR STAFF

BRITAIN'S 90,000 power workers will begin a campaign of overtime bans and selective strikes, stating in a fortnight, if the Electricity Council fails to improve a pay and conditions offer valued at 8.3 per cent.

A national ballot of manual workers in the electricity supply industry showed 41,249 voting for strike action, and 31,801 for accepting the offer — a majority of 9,448.

Officials of four main unions involved agreed yesterday on a two-stage campaign aimed at boosting the offer at least to the level of the 9.3 per cent wage increased awarded to the miners earlier this year.

The campaign, expected to be endorsed by union executive committees, will include a national overtime ban from May 31 and a rolling programme of selective stoppages from June 14.

Workers are also expected to halt all collections from domestic electricity meters.

Outlining the campaign yesterday, Mr Frank Chapple, general secretary of the Electrical and Plumbing Trades Union, said that the objective was to hit the efficiency and cash flow of the industry without affecting consumers.

"People should still get their electricity and there should be no blackouts," he said. But he warned that in the long term the public could be hit by higher charges.

Selective strike action will be aimed mainly at the most efficient power stations to force less cost effective plants on stream. However, atomic power stations will be exempted and the unions will ensure that supplies to hospitals and emergency services are maintained.

The Electricity Council yesterday expressed "disappointment" at the outcome of the ballot. Further talks would be sought with the unions shortly, the council said.

Under the present offer, basic pay for labourers earning £99.34 would increase by £5.37 a week, with the top craftsmen's basic rate of £128.78 rising by £9.17.

Average gross earnings for power workers are about £142 a week, including an average five hours overtime.

Print union threatens to end national agreement

By John Lloyd, Labour Editor, in Bournemouth

THE SOCIETY of Graphical and Allied Trades, the major print union, has warned wholesalers that it will pull out of the national agreement if substantial pay rises are not agreed in forthcoming negotiations.

The union's conference in Bournemouth yesterday decided to lodge a claim for £90 for a five-day week and a 25 per cent shift premium with the Provincial Wholesale Newspaper Distributors, which covers some 80 companies including large groups like W. H. Smith. The present basic rate is £57.96.

The conference agreed that if negotiations did not yield a satisfactory result, the union would cease to negotiate on a national level and resort to negotiations with individual companies.

Earlier, Mr Alber Powell, the union's president, told the conference—the last biennial council before the union amalgamates with the National Society of Operative Printers, Graphical and Media Personnel — that the Government was set on destruction of the union.

Mr Powell said that the printing trade unions had been singled out by the Government because "we all know that they are in the forefront of the closed shop approach to trade union organisation."

Mr Powell said that, while the unions must defend themselves vigorously, the Government's employment legislation would be removed from the statute book only by further legislation.

"Whatever may be the debates this week about the internal and internecine problems of the Labour Party, let there be no illusion that it is only by the return of a Labour Government that we shall find relief from this Act."

Apex left-wing stand defeated

BY BRIAN GROOM

LEFT-WING attempts to press the moderate Association of Professional Executive Clerical and Computer Staff to take a militant lead in defying Mr Norman Tebbit's Employment Bill were heavily defeated yesterday.

"We cannot afford to play into Mr Tebbit's hands by bankrupting our union," said Mr Ron Peck of the union's National Executive.

Delegates at Apex's annual conference in Blackpool backed the TUC's eight-point strategy, which shuns participation in closed shop ballots and provides for co-ordinated industrial action but leaves the unions discretion in choosing the ground on which to fight.

Militants yesterday urged Apex to refuse to comply with any existing or future Tory union legislation, using demonstrations and strike action. They were defeated by four to one.

Mr Peck said the left-wingers' amendment "wants this union to opt out of the TUC campaign and follow blindly the lead given by the Militant Left that intends to fight outside the law." He said there was no doubt, however, that Apex must fight the Employment Bill.

Conference also defeated a call for the TUC to break off all relations with the Government.

The conference voted for the Labour Party and the TUC to call a day of action on the day the Bill becomes law. The Executive Council supported this move as long as it did not mean strike action.

Mr Tebbit's proposal to open union funds to civil suits for damages would expose Apex to claims of up to £250,000 for unlawful industrial action. Several claims could be made arising from one dispute.

Train services hit over new timetables

BY DAVID GOODHART, LABOUR STAFF

MORE THAN a third of normal services from London's Waterloo Station were cancelled yesterday because of an unofficial strike by 200 train drivers at the station's depot.

The dispute was over new timetables, which were due to be introduced yesterday and which cause minor industrial action somewhere on the rail network almost every year. Flexible rostering was not an issue in the dispute, but it underlines the hostility of members of the Associated Society of Locomotive Engineers and Firemen to rostering changes.

Aslef's annual conference begins in London today, and delegates are expected to back an executive recommendation to reject the McCarthy report, which said Aslef members should accept shifts of seven to nine hours with 13 "safeguards."

● The new electrified Bedford to Moorgate commuter line was due to start operation yesterday, but failure to agree on the one-man operation of trains with the guards' union, the National Union of Railwaymen, has caused indefinite postponement.

● Local officials of the NUR and the Amalgamated Union of Engineering Workers at British Rail workshops in York and Crewe have agreed to black machinery due to be transferred to the two workshops from Shildon works in County Durham. Shildon and Horwich, in Greater Manchester, are threatened with closure under BR plans to slim down its engineering section.

Mobil lorry drivers set for 8% deal

By Our Labour Staff

MOBIL is on the point of concluding an 8 per cent pay deal with its 500 tanker drivers and depot workers, backdated to May 1 in what has become one of the oil industry's key annual negotiations.

Mobil wage deals in the last two years have become targets for drivers in the other companies which have November settlement dates.

In spite of strike threats last November, companies kept rises down to 8.1 per cent, after Mobil had settled at 11 per cent. This left their top drivers' basic rate £3 behind Mobil, at £113.50 a week. The companies feared a rough ride in the coming autumn if Mobil widens the differential by settling high.

The 8 per cent deal may not prove controversial, since it is in line with present settlements in the industry. It will depend on whether companies try to push the level of rises still lower on the 1982-83 round.

The majority of the workers have already voted to accept the 8 per cent offer, which will raise the basic rate to about £176. Negotiators for 1,150 workers at one of Mobil's refineries are also urging acceptance of an 8 per cent offer.

More join protest on privatisation

By Our Labour Staff

VIOLENCE FLARED again yesterday in the month-old privatisation dispute in Wandsworth, south London, and the strike spread to include another 250 of the council's manual staff.

About 200 refuse collectors have been on strike since the end of April over council plans to extend the recent privatisation of street cleaning to include refuse collection.

Yesterday, six refuse lorries which have been used to beat the strike were badly damaged by fire. Police are treating the incident as arson.

The lorries, worth about £30,000 each, belong to Pritchard Industrial Services, which is responsible for street cleaning in the borough and is tendering for the refuse contract. A decision on the contract is expected by mid-June.

The incident follows a number of allegations from Pritchards that its staff had been attacked and equipment sabotaged.

Mr Ian Scott, a local official of the National Union of Public Employees, said that the union campaign against privatisation had no association with the violence.

Wandsworth's deputy leader, Mr Maurice Heaster, is to meet dustmen's leaders tomorrow.

ICI offer of 7.14% rejected

By Our Labour Staff

UNION LEADERS representing ICI's 40,000 manual workers have turned down a pay offer of 7.14 per cent, which would amount to an average weekly increase of £7.50.

Among ICI manual unions involved are: the Transport and General Workers Union, the General and Municipal Workers Union, the Amalgamated Union of Engineering Workers, the Electrical, Electronic, Telecommunication and Plumbing Union, the Amalgamated Society of Boilermakers and the Union of Construction, Allied Trades and Technicians.

Civil servants' union takes tougher line on Government cuts

BY JOHN LLOYD, LABOUR EDITOR, IN BOURNEMOUTH

GOVERNMENT scientists and specialists organised by the Institution of Professional Civil Servants yesterday hardened their opposition to Government cuts and employment policy.

The union's annual conference in Bournemouth voted in principle both to increase its "militant action" fund and to work to rule. It also decided to oppose the forthcoming employment legislation vigorously.

Delegates also voted to instruct the union's executive committee to press for an end to the practice of giving honours to Civil Servants in connection with their work. The motion, which was carried almost unanimously, stemmed from rumours that the Government would not award honours to Civil Servants taking part in last year's industrial action.

The decisions reflect a rising tide of bitterness and militancy within the Civil Service which has already produced a sharp swing to the Left in the executives of other unions.

Such a shift is unlikely in the so far solidly "moderate" IPCS —but it is clear that the union is increasingly alienated from its members' employers.

However, officials made it clear that the resolution on *industrial* action *would* have to be put to members in branches to determine where action might be taken, and that no action would take place which might affect members in the Ministry of Defence engaged on work connected with the Falklands crisis.

The union's tough stance came after Sir William McCall, its general secretary, told the conference the Government had a "deep antipathy" to the public services "based on the belief that public services are an onerous burden on manufacturing or productive industry and therefore should be curtailed as much as possible."

Mr McCall warned the Government that the restoration of satisfactory industrial relations to the Civil Service depended on a system of independent arbitration on pay, of the kind available under the Pay Research Unit until it was scrapped two years ago by the Government.

It is understood, however, that the inquiry into Civil Service pay, now being undertaken by a committee under the chairmanship of Sir John Megaw, will not recommend such a system of arbitration as a major part of future negotiations. Arrangements are expected to be formally approved by the CCSU in July.

Health debate call rejected

BY OUR LABOUR STAFF

MR GEORGE THOMAS, the Speaker, yesterday turned down a call for an emergency Commons debate on National Health Service pay as NHS unions completed last-minute preparations for a national 24-hour stoppage from midnight tonight.

Mr Roland Moyle, MP for Lewisham East and a former Labour Health Minister, demanded the debate to allow Mr Norman Fowler, the Social Services Secretary, to present new plans for avoiding an escalation of the dispute.

Mr Moyle, who is sponsored by the National Union of Public Employees, gave clear backing to the NHS workers' case for a 12 per cent rise instead of the 4 to 6 per cent being offered.

However, the Speaker rejected a debate under Commons rules of procedure.

The appeal for intervention came as union leaders at hospitals all over the country drew up plans for co-ordinated strike action

Labour attacks Tory lead on new technology

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT was criticised in the Commons last night by Mr John Garrett, a Labour industry spokesman, for failing to give industry a proper lead in the development of advanced technology.

Companies, he said, were complaining that this indecision was hampering progress in biotechnology, information technology, robotics, microelectronics and new energy sources.

Mr Garrett said one company official had told him that he despaired in his dealings with the Department of Industry, and that Whitehall officials were totally unfamiliar with new technology.

Mr Garrett criticised the dominance of "Oxbridge classicists" in Government departments who changed their jobs every two and a half years. There were, he said, too many generalists who do nothing about the technologies now in hand.

He criticised the lack of training in advanced technical skills among young people in Britain. There were, he said, no plans to co-ordinate the efforts of the Department of Industry, the Department of Education and Science and the Department of Employment in producing technologists.

The debate, on the need to improve job prospects through more rapid development and use of advanced technology, was initiated by Mr Barry Henderson (C Fife East), a member of the British Computer Society.

He called on the Government to give an increased stimulus to technologies which would have an essential part in industrial and commercial regeneration.

Mr Kenneth Carlisle (C, Lincoln) said the Government, through the management of the economy, had to provide the correct framework in which the new technology could develop.

Mr Tam Dalyell (Lab, West Lothian) asked when the Government was going to give its response to the detailed recommendations in the report of the Lords select committee on science and technology.

Mr John Butcher, Under Secretary for Industry, and one of the ministers with responsibility for new technology, said the silicon chip presented Britain with the opportunity to recapture the market in adding value to imported materials and re-exporting them at a profit.

He argued that the advanced technology field was not suitable for an overall government strategy with a capital "S" in the way Mr Garrett had described.

New industries, such as computer peripheries and fibre optics, which were already becoming part of our industrial scene, had to be encouraged. There also had to be re-training.

Cautious ECGD reports good year

By Paul Cheeseright

THE FINANCIAL position of the Export Credits Guarantee Department (ECGD) has substantially improved during the last year, but this may prove to be a false dawn, Mr Kenneth Taylor, ECGD Secretary, told the Public Accounts Committee of the Commons yesterday.

Provisional estimates for the year to March 1982 show that the ECGD had a surplus on its commercial and national interest export insurance accounts of £178m, he said.

In the previous year the surplus was £9m.

The most marked change in the department's position has come on its commercial account, which mainly covers short-term insurance business. The 1980-81 loss of £46m has been turned into a provisional surplus of £44m.

On the national interest account—mainly covering long-term credit but including arms sales—the surplus in the last financial year was provisionally put at £134m, compared with £55m in 1980-1981.

But Mr Taylor was cautious in his presentation to the committee. "We would regard the future as just as dangerous as the recent past."

The main areas of concern were Poland, Argentina and Nigeria. The ECGD has business at risk worth about £1bn in Poland, £250m in Argentina and £2.3bn in Nigeria.

Claims from unpaid exporters dealing in these markets are widely expected to increase. The latest accounts show that only £450m is readily available from the consolidated fund to meet such claims.

In recent years, the ECGD's reserves have been run down meeting claims from exporters hurt by the deterioration in the financial position of countries such as Iran, Turkey, Sudan and Zaire.

However, it seems likely that most claims from these markets have now been met, and that the department is feeling the financial benefits of higher premium charges and a more restrictive attitude to meeting claims.

Parliamentary broadcasting a success, says Speaker

BY PETER RIDDELL, POLITICAL EDITOR

STRONG SUPPORT for broadcasting of parliamentary proceedings and implicit backing for televising them came last night from Mr George Thomas, the Speaker of the House of Commons.

In the first Hansard Society lecture, broadcast last night on BBC 2, Mr Thomas gave some unusually forthright comments for the traditionally impartial Speaker on authoritarian threats to parliamentary democracy and on the need for MPs to be independent and not to be mandated delegates.

Mr Thomas has already announced that he is not seeking re-election at the end of this parliament, but he gave no hints last night of when he might retire as Speaker. The general expectation at Westminster is that he will probably go next winter.

Mr Thomas, who has become very well known since radio broadcasting started in the late 1970s, said he was "convinced that the broadcasting of parliamentary proceedings has been justified by the results."

While conceding that the dignity of proceedings had not been enhanced, he said the public was now much more aware of what was being said in its name.

Mr Thomas said he did not expect televised debates in the life of this parliament. But "television is such a powerful part of the media that I have no doubt at all that the clamour for televising parliamentary proceedings will continue".

Mr Thomas said that as Speaker he was "precluded from giving my opinion, but I can get very close to it. I can indicate what I know is in the minds of my colleagues, and all that I can say to you is this: I believe that the issue of televising proceedings will not go away."

Mr Thomas said there was no doubt that both BBC and the independent companies had gained "much experience in using recorded material, thus ensuring that the nightly news bulletins on radio and television are much more exciting and lively because the actual voice of the members addressing the House is heard.

Quotations from the speeches of the Prime Minister, the Leader of the Opposition and others add to the liveliness of the news bulletins."

Mr Thomas claimed that the recent debates on the Falklands crisis had had "an enormous audience throughout this land. There are millions of our fellow-citizens who are better informed on the crisis because our proceedings have been broadcast than they otherwise would have been." He claimed that the nation had rarely been more interested in the proceedings of parliament than today.

The issue of televising debates has always been highly controversial within Parliament.

In his lecture, Mr Thomas had a warning to people on the Left wing who have been challenging parliament, although he did not mention them specifically.

The Speaker said: "Parliamentary democracy would suffer grievous change if members were simply mandated delegates on every issue that comes before the House." He said parliamentary democracy would be safe "only as long as MPs are, within the Chamber of the Commons, responsible above all to their own consciences."

Mr Thomas also made it clear that he was worried about "the abundant evidence that in our society at large today there are people who do not believe in our parliamentary democracy or in free speech."

He said parliamentary democracy would be safe "only if we are aware of the dangers posed by the authoritarians in our midst: they are the people who use the language of democracy to destroy democracy."

Speaker Thomas: "News bulletins more exciting and lively . . ."

Beaconsfield campaign dominated by Falklands factor

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

THE BEACONSFIELD by-election approached its mid-point yesterday with the Liberal and Labour candidates still struggling to find a way of dealing with the "Falklands factor" which looks like giving the Tories victory on a scale almost unprecedented at this stage of a government's life.

After a week in which the Falklands has dominated the campaign to the exclusion of virtually all other issues, Mr Paul Tyler, the Liberal candidate, yesterday bowed to the inevitable and met the Tories on their own ground. In an attack on the Falklands issue he claimed there is a Cabinet split between the Prime Minister and Mr Francis Pym, the Foreign Secretary.

Mr Pym, he declared, was his "number one hero" who deserved support for the way he was battling to restrain his colleagues from an immediate invasion. Mrs Thatcher, on the other hand, needed to "learn to distinguish between patriotism and jingoism."

The Liberals, whose habitual optimism has been visibly ebbing as the campaign has proceeded, acknowledged yesterday that their own canvassing bore out the opinion polls showing the Tories well ahead and the Alliance second.

Mr Richard Holme, the former Liberal chairman who is advising Mr Tyler, said the Tories had benefited from the Falklands to a "quite extraordinary degree."

Nevertheless, he claimed that the poll published in Sunday's Observer, contained some encouragement for the Liberals in that it underlined the degree to which Conservatives support depended on events continuing to go Britain's way in the South Atlantic.

Both Mr Tyler and the Labour candidate, Mr Tony Blair, have from the start supported the Government's decision to use the task force to back up the diplomatic search for a solution.

But the only party that so far seems to be getting any political mileage out of the crisis is the Tories. Nevertheless, Mr Tyler claimed yesterday to have detected an increasing apprehension among the electorate that the Government might be paying too much attention to the "armchair admirals playing their little war games with other people's sons."

The position has been made even more difficult for the Tories' opponents in Beaconsfield in that any criticism of the Government could expose them to charges of being unpatriotic.

Last night, however, Mr Roy Jenkins, a member of the SDP's Gang of Four, warned the Government against using the dispute for party political ends.

For the last week, Mr Tyler and Mr Blair have been trying, without much success, to focus attention on domestic issues like unemployment and inflation.

Yesterday, Mr Blair turned his attention to the one live local issue—the filling of gravel pits with industrial waste. So far as any issue was allowed to intrude on the Falkland Islands, he said, it was the question of gravel extraction, and he challenged the Tory candidate, Mr Tim Smith, to make his position clear on the subject.

Meanwhile, Mr Tom McNally, the SDP MP for South Stockport, who was at yesterday's Liberal press conference as a "living symbol" of the Social Democrats' support for Mr Tyler, tried to focus attention on cutbacks in education.

The problems of the economy, he said, would still be around, "like the empty bottles and dirty ashtrays after a party" long after the Falkland Islands dispute was over.

The Conservatives are defending a majority of 21,495. Mr Smith has at his daily press conferences duly gone through the spectrum of issues like unemployment and inflation, but he has not been above making calls on patriotism. Yesterday, he warned that the by-election was being observed abroad as well as at home.

Mr William Whitelaw, the Home Secretary, speaking in support of Mr Smith last night, said he hoped the Falklands crisis was not the only factor "holding sway" in the minds of the Beaconsfield electorate.

Paul Tyler: attack on armchair admirals

Lawson gives assurances on N. Sea licensing plan

BY IVOR OWEN

MAJOR OIL COMPANIES will gain advantage from the Government's decision to auction production licences for prime North Sea sites, Labour MPs protested in the Commons yesterday.

Mr Nigel Lawson, the Energy Secretary, stressed that only a minority of the 85 blocks which will be on offer in the eighth licensing round—expected to start in the autumn—will be up for auction.

The assurance failed to satisfy Mr Ted Rowlands, a Labour energy spokesman, who argued that the big multinationals would be able to brush aside the small independent British companies and ensure that they secured the best blocks.

Earlier, Mr Lawson conceded that in the present economic climate some smaller companies might have difficulty in raising the funds needed to participate in the new licensing round. Nevertheless, he told Mr Hugh Dykes (Con, Harrow East) that he hoped there would be a "fair smattering of licences granted to small companies."

Auctions would be used for a small selection of blocks in the mature oil province of the central North Sea—the first time this allocation method had been used since the fourth round, 10 years ago.

But the majority of blocks, said Mr Lawson, would be allocated on the same discretionary basis used in earlier rounds, and he hoped this would balance the interests of the larger and smaller companies.

Mr Ian Wrigglesworth (SDP, Thornaby) warned that there was a danger that some of the marginal North Sea fields would not be exploited, and suggested that, in the absence of a good response to the eighth licensing round, the Government should review the incidence of taxation on the industry.

The problem of marginal fields was also taken up by Mr John Hannam (C, Exeter), who said their position was affected by a combination of lower oil prices, higher taxation levels, and increased development costs.

Mr Hamish Gray, Minister of State for Energy, replied that the postponement of certain developments in the North Sea in recent months had been due more to technical problems and weak oil prices than the tax regime.

He accepted that the oil companies had always included tax in giving their reasons for any postponement: "That is natural, when they wish to focus attention on the problem that they have with tax."

New powers to clamp down on pop festivals

TOWN HALLS are to get new powers to clamp down on pop festivals. But the powers, added to the Local Government Miscellaneous Provisions Bill in the Lords, fall short of giving councils the right to ban festivals simply because they do not approve of them.

For the Government, Lord Elton said that in response to the feeling of peers it was thought that some control was necessary to ensure pop festivals were conducted in a reasonable and sensible manner. But the Government did not want something necessarily harsh or restrictive to be done.

Lord Elton said the controls would be the minimum compatible with the needs and size of each local authority.

"We do not think it right for a council to be able to say simply: "We do not like pop festivals so we shall not license them"."

The amendments to the Bill will mean district councils can pass resolutions adopting the new powers. One month must pass between passing a resolution and the powers coming into force.

Conditions attached to the powers give the councils authority to prevent festivals being held only if public safety and public hygiene would not be secured, if there would not be adequate access for emergency vehicles, or if there would be unreasonable noise disturbance.

Outside chairman likely for generating industry

BY IVOR OWEN

MR NIGEL LAWSON, the Energy Secretary, indicated in the Commons yesterday that the new chairman of the Central Electricity Generating Board is likely to come from "outside the industry."

He contended that such an appointment would bring a fresh impetus to making the industry more efficient for the benefit of both industrial and domestic consumers.

Mr Lawson denied that Mr Glyn England had been dismissed from the £45,000 a year post, insisting that he had not been asked to serve for a further period because it was "time for a change."

To cheers from the Labour benches Mr Merlyn Rees, shadow Energy Minister, protested that Mr England's departure had been "rather offensively handled."

He warned: "Other people who may be attracted to the public service may draw back given the way this has been dealt with."

Mr Rees called for an assurance that in looking for someone outside the industry to succeed Mr England the minister was not thinking in terms of "a narrow political appointment."

Mr Lawson retorted that the new chairman would be "the best man for the job."

Mr Arthur Palmer (Lab Bristol North East) described Mr England as "an eminent engineer who probably knows more about the business of public electricity supply than all the rest of the politicians put together."

He said there was resentment throughout the electricity supply industry over Mr England's virtual dismissal, which he believed was due to the fact that he had dared to oppose the doctrinaire policies of the present government.

Mr Tim Eggar (Con Enfield North) urged that in future the chairman of the CEGB, and all other hcairmen of nationalised industries, should be required to submit their resignations whenever there was a change of government.

Richmond Tories keep control

Richmond-upon-Thames is to stay under Conservative control using the casting vote of the new mayor, Mrs June Robinson. The council now comprises 26 Conservatives, 24 Liberals and two SDP councillors.

Lloyd's council 'could insure itself'

BY JOHN MOORE, CITY CORRESPONDENT

A NEW ruling council for Lloyd's of London could protect itself from the financial consequences of suits for damages through an insurance policy, rather than through an "undesirable" legal immunity, a Lloyd's broker told the Lords select committee reviewing the Lloyd's Bill, yesterday.

Mr Brian March, of brokers Nelson Hurst and Marsh, was giving evidence on behalf of a group of Lloyd's interests seeking removal of the immunity clause, which would protect a new Lloyd's council from suits for damages by its members.

Mr Marsh told the committee he thought the immunity clause was "undesirable." He and others in Lloyd's were worried that the council might be put above the law.

Mr Marsh, whose company specialises in errors and omissions insurance business, said he believed it would be possible to place within the market a £100m errors and ommissions insurance policy for the Lloyd's council. He dismissed suggestions that the terms of such a policy might be too restrictive to provide the council with adequate protection.

"Where there is a will there is a way," said Mr Marsh. If the council enthusiastically supported a programme of insurance then underwriters would come to terms which were mutually agreeable, be added.

Cross-examined by legal counsel for Lloyd's about the extent to which he had made representations to Lloyd's about his objections to the immunity clause, Mr Marsh said: "Many of us in Lloyd's, frankly, have not woken up to the implications of the Bill until comparatively recently."

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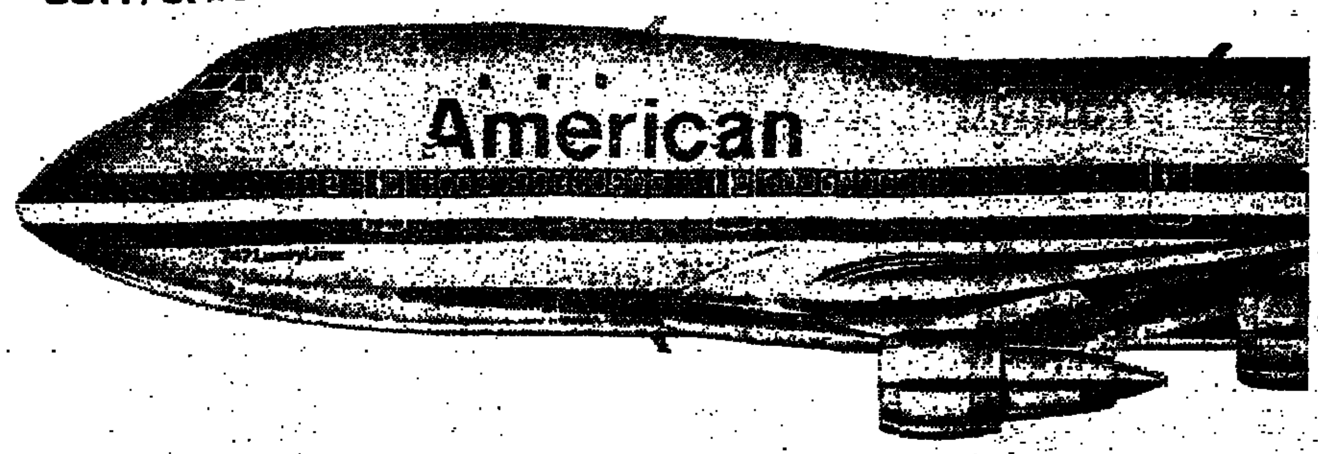


Nobody does it like an American

THE ARTS

Metropolitan Opera House, New York

Makarova & Bujones

by CLEMENT CRISP

America Ballet Theatre is currently at the Metropolitan Opera House, with stars and a large repertory to fill a theatre in which ballet is not seen at its best: the auditorium too long; the stage somehow dissipating and dispersing the effects of the dance. I saw two of the new season's novelties and some traditional offerings a week ago, but it was only the stellar presence of Makarova and Bujones in *Swan Lake* which seemed able to dominate the theatre and fire the audience, and this despite the desperate nature of ABT's production. It is the company's old staging by David Blair now fallen upon hard times, which starts with a scatterbrained first act replete with Breughel rabble of peasants, horrific costuming, and a dramatic manner dependant upon constant sipping at goblets and small, smirking gestures. Fernando Bujones' the Siegfried, appeared in an abbreviated eau-de-nil bodice and gleaming white tights — the only point of the act is to display his impeccable legs (which Mr Bujones does, tirelessly, in exquisite classical positions) and for him to perform a few steps. These are done with such purity and with such faultless stretch of limb that his technical clarity acquires a mad logic amid the encircling nonsense of the staging — it is rather like a fine diamond set in plasticine.

Mr Bujones makes a youthful immature Siegfried, and this brings a touching vulnerability to his reading when faced with Makarova's Odette who, impelled high over the stage in the opening phrase of her entrance, seems to metamorphose from swan to woman in mid-flight, and who thereafter presented a reading of darkest emotion, a swan queen sorrowing and tormented by her destiny. It was characterisation marked by the most mournful intonation and by an intense emotional momentum, the body bending desperately towards Siegfried, then pulled inexorably away by von Rothbart's power. The dance poured out in a broad generous stream, *molto lento* in true Kirov style, and miraculously sustained: the way the movement "breathed," that spacing of effect in long, long phrases of feeling and dynamics, absolutely true to Chaikovsky and Ivanov.

Makarova's Odile, technically luscious, and brilliant in formidable pirouettes, seemed a demonic creature born of von Rothbart's imagination: there was everything and nothing for Siegfried to try and snap. Mr Bujones suggested very well the princeling's infatuation and his downfall revealed the sudden shock of ecstatic delight he feels in a Black Swan variation which was no more than the usual collection of tricks, but cut with such verve and clarity that it seemed both fresh and sincere.

Apart from its stars, though, this *Swan Lake* was paltry, with undisciplined swans and unnuanced divertissements. That ABT could do better was apparent in a *Raymonda* staged by Baryshnikov (a duet from Act 2: much of the third act's dances) in which the corps looked alert, elegant. The same, alas, cannot be said for the two new works of the season *Configurations*, by the Singapore-born Choo San Goh, is an example of the high energy, low invention school of choreography. Set to Samuel Barber's abrasive piano concerto, it offers brief spurts of movement which seemed to me to have little to do with the score save on the most ordinary level of fitting tricks of movement to a musical phrase.

The piece looked exhausting, disjointed, and the abilities of its central couple, Marianna Tcherkassky and Kevin McKenzie, were nowhere enhanced. It was rivalled in its demands on the dancers by Lynn Taylor-Corbett's *Great Galloping Gottschalk*, which is slick, common-place, hideously costumed (the women in baggy trousering below their skirts), and as brash as its awful title suggests. The pretty music of the Chopin of the bayous, Louis Moreau Gottschalk, has been crassly orchestrated; the dancers rampage. There is one bright moment, a duet for two virtuoso demi-caractère dancers, Danilo Radojevic and Johan Renvall, which they zip through with amazing skill and split-second timing. It is ballet for people who don't like ballet, and they richly deserve what they get.

I did not find that ABT's ancestral repertory appeared very convincing on the Met stage. Tudor's *Pillar of Fire*, with Cynthia Gregory as Hagar and its two crucial male roles dimly cast, went for little; *Billy the Kid*, that archetypal piece of Americana, had a sure central performance from Robert La Fosse, but seemed otherwise diffuse. Happily, Balanchine's *Bourrée Fantasque* was also on view to show what vivid dancing ABT's artists can provide in strong choreography.

★

As a prelude to the New York City Ballet's season, its academy —the School of American Ballet —gave its annual performances at the Juilliard School Theatre. These said much about the traditions which sustain school and company. The new ballets came from NYCB members: a first and ultra-Balanchinian exercise by Helgi Tomasson to a Giuliani guitar suite, and a well-planned divertissement by Peter Martins to some glorious pages from Delibes' *Sylvia*. Two revivals reflected the School's Russo-Danish roots: Stanley Williams' staging of the amusing Chinese Dance from Bournonville's *Far from Denmark*, and a fascinating *Chopiniana* produced by the ever-beautiful Alexandra Danilova, who teaches at the School, and Frederic Franklin. This was performed (as was the ballet when staged for NYCB) in short tunics. Gone the sweeping tarlatans of Taglioni's age: instead we see, illuminatingly, the articulation and armatures of Fokine's structure. Finally the last two movements of Balanchine's *Brahms - Schoenberg Quartet* reaffirmed the central fact of school and company existence through their master choreographer. It was an inspiring sight to watch these young dancers with their already attractive technical skills and their clear, sure presence. Among them I recall with especial pleasure Rita Noroni, dancing the *Chopiniana* prelude with unaffected grace.

Late opening at the National Gallery

The National Gallery will remain open until 8.00 pm on Wednesdays during June, July and August, allowing visitors another two hours to enjoy the paintings in the main exhibition floor. On that day the restaurant and shop will remain open until 7.00 pm and 7.30 pm respectively.

A series of talks has been organised to coincide with late evening opening. Gallery staff will give talks at 6.00 pm lasting approximately half an hour on major works in the collection.

Goehr joins Opera House board

The board of directors of the Royal Opera House has announced that Alexander Goehr, the composer and Professor of Music at the University of Cambridge, has accepted an invitation to join the board.

London Galleries

Quiet pleasures

by WILLIAM PACKER

Take a gentle constitutional around any part of London's art world and you are bound to find many things worth the seeing, not things of especial weight or moment necessarily, nor in any planned relation, but none the worse for that. We live in a time when the virtues of reticence and modesty are not always remembered at their worth, and the habit of a general and informed curiosity goes by default. Parkinsonians all, we are too inclined to inflate the pressures upon ourselves, more ready to ask why we need to make time to see or hear or read the work than to do so in the natural course of a civilised interest. And so the major must drown out the minor, the loud and heavy trample over the soft and light.

Our great holding institutions suffer just so, but in their peculiar way: for by putting on great exhibitions, celebrations of particular genius and masterpiece, they can only foster the expectation that any visit should relate to them, whilst the ever-present treats and pleasures of their collections are overlooked.

The trick is clearly one of emphasis and not that easy to get right; but an answer of sorts may well have been lately thrown up by chance and circumstance. These have been quiet months at the National Portrait Gallery and at the National Gallery itself, horns drawn in and ambition tempered by the failure of the lovely annexe in Carlton House Terrace for the former, and for the latter no more than one major show a year. But a lot goes on in them nevertheless, and most of it sensibly limited and related to the Galleries' more general functions and scope. We are drawn into a small exhibition or critical exercise and with our interest stimulated have time to stay.

Artist at Work (until June 13) is entirely typical of the National Portrait Gallery's smaller exercises, a package made up from its own collections to send out on the tour that it now completes. It is just what it suggests it is, a view, over 250 years, of images of artists variously about their business, whether seen by themselves or by their fellows. It includes one or two very fine things, most notable perhaps a large and striking painting by the young Laura Knight of herself at work on the nude, and some of the photographs, by Hoppe, Beaton, Ireland and Lewinski are very strong; but naturally, inevitably it is its documentary and anecdotal interest, often most delightfully expressed, that chiefly sustains it: a fresh and oddly modern Bonington in his overcoat, young, myopic Will Rothenstein by Sargent, the St John's Wood Art Club drawing silhouettes of one another upon the wall by Prior Hall.

Its other current exhibition, Bill Brandt Portraits (until August 22), is more substantial, but scarcely onerous even so. Brandt has been a fine photographer in his time, with portraiture a significant aspect of his work, and he is rightly celebrated now. But even the greatest artist is flawed, or at least inconsistent, and any retrospective must show up a wart or two or it is no retrospective at all. His method is as sound as the results over many years attest: concentrate on the practical business of the session, let the subject relax away from the moment of exposure, catch him almost by surprise, let the pose look after itself. But does distance really lend so much enchantment; are those earlier images, when conscious application had not yet drifted into technique, really so much more powerful, subtle, memorable; or is it simply that today our heroes are too much exposed?

All but the last dozen or so of those shown are recent prints, made under Brandt's own supervision, so they can be assumed to register his concern for an extreme and textured chiaroscuro throughout, and it is not the modern printing alone that brings on such misgiving. We look at the marvellous handful of vintage prints from the early forties, all of them smaller, inevitably more concentrated, and so much richer and subtler in their tonality and surface, and the reproach makes itself.

"Self-portrait with model," by Dame Laura Knight

Almost all of his subjects here are luminaries of the Arts. Quite how much of themselves they give away is hard to say without close personal knowledge, but certainly they offer, again and again, what we may reasonably suppose to be the revealing, definitive public image. To women he seems to be instinctively and admirably, more generous, sparing them his often openly barbed visual comment; or is simply a matter of his own susceptibility, their easy subtlety and cunning? One woman and 18 men figure in the excellent little catalogue.

Round the corner at the National Gallery is "Watch This Space," a nicely didactic little exhibition and demonstration of perspective in painting (Orange Street entrance: until June 27). It is very simple, perhaps even too simple, offering indeed nothing more than was once the staple of every art student in his first year: but then our studies were more recondite than we supposed. The art historian today comes to these excitements afresh, and though we may smile a little at his ingenuousness in discovering the awful tricks that painters get up to, the point is well made. We are even offered a physical model of de Hoogh's Interior Scene as it should have been had he kept to all the rules, with its cavernous space, extended fireplace and midget maid. Fiddled and adapted however, the composition reads well enough as it is, the space indeed more probable, and yet its foibles teasing the eye to further consideration.

For it is all a trick, the painting itself the only reality. Pontormo's statue perched in mid-air is no nearer the eye than the tiny tree on the horizon beside it, and the infinite haze of Claude's sunrise is only paint laid upon canvas. The camera obscura is a wonderful, magical toy, but the Canaletto, as it were, is the real thing. It was Durer's eye that peered into his Perspective Box.

Finally a correction, or rather an amplification of something I wrote a fortnight ago. Quite rightly Allen Jones has taken me to task for what read but was not intended as a dismissive remark in my brief notice of his current exhibition at Waddington, I felt and still feel that his new large water-colours mark a new phase in his work, one that he is likely to develop in other media; but that is not at all to say they are incomplete or unresolved in themselves, only that there will be more to say of them usefully in the future. Equally so in reverse his lithographs, which round off his late preoccupation with the stage and performance, that he has already treated so variously in painting, and yet they stand fully in their own right, peculiarly lithographic.

And last quite literally a notice, for I have had no chance to see the work, and there will be no chance to write of it again. For too many artists the studio show is the only chance they have to put their work before the public, and over this coming weekend, May 21 to 24, those who share the complex of studios at Metropolitan Wharf, Wapping Wall are to keep open house all afternoon, 12 to 8 pm Metro Show 82 is sure to be as stimulating, testing and pleasurable as it is various: do go.

Banqueting House, Whitehall

Bach in costume

The twentieth year of the English Bach Festival brings to London a reduced but choice programme of events with Bach preponderant and a typically way-out Stravinsky celebration in the Elizabeth Hall this evening. This slimming-down, one trusts, is only a breathing-space before a great burst of Rameau for next year's tercentenary. The breathing-space affords leisure to remember how much Lina Lalandi's festival has achieved during two decades, widening our knowledge of Bach and his time (in performance style as well as repertory), breaking lances for contemporary music while pushing boundaries of experience to the further ends of Europe like Spain and Greece.

One thing that may be overlooked in our insularity is the kudos brought to British musicians by the EBF's journeys abroad. Our rehabilitation of Rameau is now placed by French critics on a level with our cult of Berlioz. When French colleagues pay us tribute they do so handsomely. "Rameau, son of Albion" was one headline after the EBF had given their *Castor et Pollux* in Paris. The same production transported to the Monte Carlo Opera inspired a novel interpretation of social and musical history: "Because they had no great 19th century composers of their own, the English never ceased cultivating baroque opera, especially Handel and Purcell. Under their constitutional monarchy the musical public naturally adopted the royal divertissement of former days."

Friday's opening in the Banqueting House was a pleasing occasion following the established pattern—two of Bach's secular cantatas given in costume. The Peasant Cantata (No. 212) was graced by four of the EBF dancers, interpreting the *danse noble* with greater fluency and assurance than was the case in the tentative beginnings some years ago. The sections of this cantata are concise and apt for dancing, with their country tunes mixed with Bach's own. The leisurely arias and ensembles of "Hercules at the crossroads" (No. 213), too long for physical movement, were given by solo singers evolving slowly in poses regulated by Kay Lawrence.

The Hercules canata, consisting mainly of music designed for the Christmas Oratorio, puts some strain on a modern audience, with a counter-tenor Hercules rejecting a melting soprano aria from Pleasure for a bossy one from a tenor Virtue. And this Hercules, Robin Martin-Oliver, seemed more certain of his moral priorities than of his notes. The fresh, nutty timbre of the soprano Judith Rees gave keen enjoyment in both cantatas.

RONALD CRICHTON

Elizabeth Hall

Cornelius Cardew

Cornelius Cardew was killed by a hit-and-run driver near his home on December 13 last; he was 45. His transformation from avant-garde figure of the 1960s to radical political activist, member of the central committee of the Revolutionary Communist Party of Britain (Marxist-Leninist), in the 1970s was so comprehensive that his initial achievements were all but forgotten, rejected by the composer himself in favour of his later socialist-realist works. Yet for the best of a decade Cardew was the outstanding figure in the British avant garde, innovative and challenging, the only composer willing to take on board the most radical advances of the European and American post-Cage composers and bend them to his own ends.

The memorial concert promoted by New Macnaghten Concerts on Sunday evening presented a comprehensive survey of Cardew's achievement, performed by a host of friends and colleagues from the worlds of avant garde, improvised and socialist music, including Michael Nyman, Gavin Bryars, John White, Lou Gare, Eddie Prévost and Frederic Rzewski. The first half took in the "advanced" works up to 1971; after the interval there was a selection of Cardew's songs and instrumental pieces for the socialist cause from the last ten years. The first half even contrived to contain a première, of the *Octet '71*—a spare, haunting essay for wind and plucked instruments, suggesting Morton Feldman in its poetic way with the slimmest means. The *First Movement for String Quartet* was the earliest work, commissioned by the Royal Academy of Music in 1961 and demonstrating even at that stage Cardew's ability to rethink basic premises along totally original lines.

An extract from *Treatise*, arguably Cardew's most important work in its examination of the very essence of musical notation and its symbiotic relationship with performance, was realised by former members of the AMM ensemble, which Cardew joined in 1966 and whose improvisation influenced much of his later music. The *First Paragraph of The Great Learning* was his most notorious work, the première at the Cheltenham Festival in 1968, provoking the audience into considerable verbal violence. Now its minimal means seem innocuous: a chorus which recites a Confucian text and plays whistles and stones; an elaborate organ solo, the whole bound together by simple repetition.

Yet the freshness of these early works was made all the more poignant by the examples of his recent music that were heard. The songs—fake Irish folksongs, lacking the guts and commitment of their models, marching songs that Eisler easily surpassed — seemed almost to parody the working-class values and culture they were intended to champion. The instrumental pieces, *The Workers' Song* for solo violin and *Thalmann Variations* for piano, take classical models to construct naïve variations upon socialist songs — Bach's violin partitas for the first, Beethoven's *Diabelli Variations* (with nods towards Chopin, Debussy and Weill) for the second. In these pieces Cardew knew he was preaching to the converted, to an audience that was neither the workers whom he wished to support nor the *bourgeoisie* he sought to destroy; the message could be taken as read and the musical means left to fend for themselves.

The irony implicit in Cardew's development is that he stood more chance of upsetting the establishment with his earlier style than by the comfortable blandness of the film-score romanticism of his later concert music. The discomfiture of that Cheltenham audience was real; and the logical way forward from that event seemed to escape him altogether.

ANDREW CLEMENTS

Elizabeth Hall

Martin Hughes

Martin Hughes is one of the most talented of the generation of British pianists around the age of 30—not itself an outstanding generation—and since his Prom debut in 1970 he has several times been praised in these pages. His recital on Sunday afternoon was the first I had heard him play, and it was a disappointment: not so much for its general level of musicianship, which was perfectly acceptable, as for the intimations, shining out from time to time in fitful gleams, that Mr Hughes is actually a far more interesting pianist than his performances on this occasion would have us believe.

The chief of these was a very beautiful account of the slow movement of Schubert's D major sonata, finely shaped, firmly sustained, alive with liquid inner voices. It was difficult to understand how a pianist who could do so much with that music could do so little with the rest: the outer movements fluent but dull, and barely a passing acknowledgement of the extraordinary web of triple rhythms, off, with and against the beat in every conceivable permutation, which permeate the whole work, even the common-time finale.

There were other gleams too, smaller but significant: a masterly surge of excitement at the centre of Beethoven's 32 Variations in C minor, never sustained; here and there in Chopin's B flat minor sonata, a delicate curl of phrase, many wistful promises. In both these works, however, sonorities were by and large strangely inert; in the Beethoven Mr Hughes correctly paid careful regard to the violent contrasts, extremes of light and shade—but they did not seem living colours, only pale washes laid like transparencies over the notes. Voice-leading (a related weakness), especially in the Chopin, suffered from imprecise weighting. Dramatic effects were generally unfocused, bland; the effect of leading directly from the third movement into the fourth, without so much as a pause on the last chord of the funeral march, is merely vulgar. Puzzling: I await with interest another recital, another day.

DOMINIC GILL

Wigmore Hall

Jeannette Pilou by RONALD CRICHTON

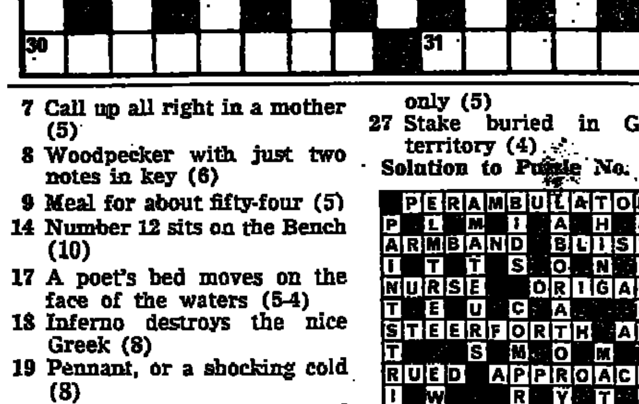
Jeannette Pilou has sung a distinguished Butterfly at Covent Garden, a most satisfying Mélisande for Scottish Opera and many other big roles in international centres. Though she is of Greek origin and lives in Milan, Miss Pilou's repertory is largely French. Her recital on Sunday evening in the Wigmore Summer Nights series was given over entirely to four masters of the mélodie — Debussy, Poulenc, Duparc and Fauré. Geoffrey Parsons, in excellent form, was the pianist.

The voice is an attractive instrument, plangent, resinous, with plenty of colour. As with many singers from Southern Europe, the top inclines to vibrant hardness under pressure, but Miss Pilou can spin a silken soft high note when she will. Except for occasional distortion on sustained vowels, her French is easy and expressive. She started — bold choice for an opener — with the *Chansons de Bilitis* and justified her boldness, even if the full charge of Debussy's veiled but potent sensuality was missing.

The phrases were more finely controlled here than in the later groups, where line was too often sacrificed to expression. In "L' Invitation au voyage" the singer teased and squeezed and allowed little bulges of tone to form. In "Phidylé" intonation momentarily wavered. Few of the interpreters who risk including both of these great and demanding Duparc songs do them equally well. "Le Manoir de Rosemonde" was a success, except for an egregious theatrical pose at the end.

Miss Pilou went hard at her material, supporting her singing with dramatic touches and ecstatic hand-gestures. Poulenc's "Hôtel," given as an encore, was sadly vulgarised. Such extraneous aids are not necessary — there is voice enough for a more classical approach. And there was enough positive good in this recital to make one await a return visit, with a programme better composed and execution more sensitively judged.

F.T. CROSSWORD PUZZLE No. 4,874



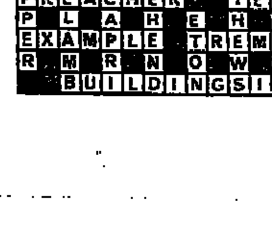
ACROSS

1 A savoury remark suggested before you are taken (6)
4 "Or — soothe the dull, cold ear of death" (Gray) (8)
10 Tranquil note in new-look Ulster (7)
11 Drama no longer available to determine the winner (4-3)
12 Flower of perfection (4)
13 Merely a toff—so much the better (4,2,4)
15 Coterie shows ratio of intelligence in a thread (6)
16 "Built in the —, and rigged with curses dark" (Milton) (7)
20 American general takes in fifty in a bunch (7)
21 Straight City district involved in obscenity (6)
24 To yearn is to touch down in New York holiday resort (4,6)
26 Old Nick has a dirty job for such hands (4)
28 Quaker takes in ten shillings and sixpence for the bird (7)
29 Agree with class (7)
30 Simulation of coppers concerned about the start of retirement (8)
31 Obviously a gambler, but he's not so bad (6)

DOWN

1 Motor at speed means shell (8)
2 Latins see reform as a *sine qua non* (9)
3 A seat—is it so good to follow? (4)
5 Adhere to impertinence—it adds colour (3-5)
6 Self-suppression in sport (4-6)
7 Call up all right in a mother (5)
8 Woodpecker with just two notes in key (6)
9 Meal for about fifty-four (5)
14 Number 12 sits on the Bench (10)
17 A poet's bed moves on the face of the waters (5-4)
18 Inferno destroys the nice Greek (8)
19 Pennant, or a shocking cold (8)
22 First rate blow out of bed (4,2)
23 Woman goes to court for decree (5)
25 It follows for the occasion only (5)
27 Stake buried in German territory (4)

Solution to Puzzle No. 4,873



TECHNOLOGY

EDITED BY ALAN CANE

An open line to all computers—worldwide

BY ALAN CANE

Telecommunications authorities world-wide come in for their share of stick, but every telephone subscriber is able, with a few special exceptions, to dial any other subscriber.

This is only because the PTTs (Post Office, Telegraph and Telecommunications authorities) agreed, early in the game, on standard signalling systems.

Now look at the position in data processing. Computers have been used by business and government for more than 30 years, data communications technology has reached a high level of sophistication (pictures from Saturn, millions of dollars trundled daily around banking networks) yet most large computers can be made to communicate with each other only with great difficulty.

The reasons are partly technological — each manufacturer has its own preferred way of handling information in its machines—and partly commercial. It used to be seen as a definite advantage to "lock" a customer into a single supplier by ensuring that foreign equipment could not easily be added on.

Watchword

Companies have won acclaim —ICL at the European Space Centre in Darmstadt is a good example—for their ability to hook up different sorts of device into a communicating network.

Now "open systems interconnection" is the watchword—that is, "the concept of using standardised procedures for the exchange of information among terminals, computers, people, networks and so on which are accessible to one another for this purpose by their mutual use of these procedures," as Mr Kirk Gee, a National Computing Centre expert puts it.

The way in which the various manufacturers are responding to the challenge of open systems interconnection illustrates, dramatically, the changing nature of the computer business.

There is, as yet, no common standard but there is a reference model designed by a technical subcommittee of the International Standards Organisation.

All the major manufacturers, IBM, Burroughs, Univac, DEC, NCR, ICL and so on are represented on the ISO committee and have contributed to the design of the reference model.

Mr Gee points out in a special paper prepared for the NCC and calling for speedy decision making: "If the ISO reference model can reach a stable form quickly enough, it will form the basis of computer manufacturer's future architectures. This is what the users want. But the key issue is how quickly standards can be agreed for the reference model and for the individual protocols and services."

Inevitably, some manufacturers are already well advanced with their own proprietary networking systems. IBM, for example, has been offering its own Systems Network Architecture (SNA) for several years; Burroughs has Burroughs Network Architecture, DEC offers DECnet.

Those companies — ICL, Honeywell and Cii Honeywell Bull are the immediate examples — which came late to the market with networking architectures seem to have been able to take advantage of the ISO committee's work.

In the past few weeks, for example, Honeywell has announced the second phase of Distributed Systems Architecture (DSA) which is overtly based on the ISO model.

The first phase of the Honeywell offering was made available in mid-1980 and now has more than 300 customers worldwide running under DSA. The list in Europe includes Johnson Wax, Associated Dairies, House of Fraser and Credito Italiano.

The first made it possible to combine Honeywell large and medium scale computers in the same network and to use the Honeywell DPS 6 minicomputer as a satellite or terminal concentrator.

It also introduced a small computer, the Datanet 8, designed specifically to run DSA networks.

The new announcement further commits Honeywell and Cii Honeywell Bull to the ISO standard.

Datanet 8 processors can now be used to build private packet switching networks and to interface to most of the world's existing public data networks. These include PSS in the UK, Transpac in Francem Tymnet and Telenet in the U.S. and the EEC's Euronet.

That users want to be able easily to mix and match hardware is without doubt—every survey of computer opinion has shown this clearly.

Manufacturers, too, see advantage in common standards which will make selling across national boundaries easier. The European Computer Manufacturers' Association (ECMA) has, indeed, taken a lead in agreeing interconnection standards.

Mr Gee of the NCC believes that most manufacturers are already working towards the ISO model; Honeywell and ICL may be the only two to have set out originally to comply with the model but the modifications needed to convert SNA, for example, to the ISO concept are not great.

The datacommunication specialist's dream of an electronic village where every computer can talk to every other is already well within the bounds of possibility.

Italian maker set for the electronic battle

BY ELAINE WILLIAMS

SGS-Ates, the Italian semiconductor maker, has armed itself with the technology to do battle against the world's major electronics groups.

It is now developing silicon chips using the advanced complementary metal exide (CMOS) process it acquired recently from Toshiba, one of the leading Japanese manufacturers.

CMOS silicon chips, which consume little power and can run off low voltages, have applications which range from digital watches, remote controls for televisions to telecommunications and computers.

This technology linked to its existing expertise in other areas of electronic components complete SGS's manufacturing process gap.

Mr Pasquale Pistorio, who became head of the loss-making company two years ago, aims to make SGS—part of the government controlled IRI group—a major European force in electronics.

Next year, he says, the company will make a profit, after cost trimming, staff reduction and product rationalisation.

About $450m is being spent over the next few years on new factories and equipment worldwide.

At present, the company invests about 15 per cent of total sales on research and development. Development work is carried out at its largest plant in Agrate, Milan for MOS products, Castelletto near Milan for bipolar devices and Catania, Sicily for power devices.

This year SGS adds two design centres in Phoenix, Arizona and Munich, West Germany to develop devices for specific local needs.

In some areas, SGS says that it already produces "state of the art" devices. For example, in power electronics and linear bipolar circuits.

These are used in the industrial and consumer field for audio amplifiers and driving electric motors. New products will break the 200W barrier.

Several of the older technologies, however, have already been dropped as part of its rationalisation process. Mr Piero Martinotti, director of the MOS division, said that this was coupled with strengthening its position in the more advanced MOS technologies.

The Toshiba agreement will give SGS the ability to produce CMOS circuits which have individual logic gate sizes of 3.5 microns and 2.5 microns.

Mr Martinotti said that samples of silicon gate SMOS devices will be available before the end of the year with the 3.5 micron gate width.

Dr Raimondo Palleto, joint general manager, explained: "We want to maintain a broad range of products but we cannot dedicate a continuous research effort in all areas of design."

"Therefore we identified CMOS as an area we needed to concentrate on. We needed to develop CMOS quickly so we sought a partner with the best technology."

Dr Palleto said: "It is important for us to acquire the technology without sacrificing our own research resources." He says that the open-ended agreement with Toshiba achieves this end.

In fact, it will be possible for Toshiba to buy new circuits developed by SGS using its newly acquired CMOS technology if the Japanese company so wishes to complement its existing product line.

So, armed with Toshiba's CMOS technology and its own advanced NMOS line, Mr Martinotti says that it can now plan its product strategy.

With the new CMOS technology, which has the main advantage that it consumes small power and can be used for portable electronic equipment, SGS will make a concerted effort in five product areas.

In CMOS it will initially make static random access memories which are used in a variety of industrial and computer applications, as a test for the process, and to iron out production problems.

With this experience gained, Mr Martinotti said that the company will make Toshiba's standard CMOS logic products, but also develop dedicated integrated circuits for the telecommunications markets, and consumer electronics, which require low power consumption.

As well as producing a general purpose microcomputer in CMOS from 1983, SGS also has its eye on the semi-custom market such as gate arrays.

These are circuits in which all but the final stage of manufacture is the same for all circuits.

The final stage, specified by the customer determines how the circuit will operate. This means that for low to medium volume applications, using semi-customer circuits is cheaper than developing a special circuit for a particular application.

SGS already has a product licence to manufacture the Z80 microprocessor which was designed by Zilog, a leading U.S. microprocessor company which is made in its NMOS technology.

Mr Palleto explained that the Italian Government is also about to implement a L500bn national electronics programme from which SGS hopes to benefit. This programme dedicates nearly half of the funds to very large scale integrated circuits.

SGS-ATES has four main product groupings: small signal and power discretes, bipolar integrated circuits, MOS integrated circuits and small systems.

BIPOLAR ICs	MOS	DISCRETES	SYSTEMS
Linear ICs	Microprocessors	Power trans.	Development systems
Digital Bipolar families	CMOS	Small signal transistors	Microcomputer educational systems
Custom	Dedicated MOS	Special assemblies	OEM microcomputer boards
	Memories		
	Custom		

Japanese shadowmask tube

INTRODUCED INTO the UK by Impectron of Horsham (0403 50111) is a high definition shadowmask colour tube made in Japan by NEC, the 370MKB22.

The tube employs an ultra-fine shadowmask with only 0.2mm pitch—about two-thirds that of many currently available fine definition tubes it is claimed, and one-third of that used for domestic TV tubes.

As a result, the new tube is able to display up to 6500 alphanumeric characters on its 14 inch screen. The new masks are the product of recent advances in precision optical exposure and etching technology.

To make sure users get the best from the tubes, NEC has improved convergence performance (the coincidence of the three colours) to keep the resolution as high as possible.

The horizontal resolution has been improved from about 700 pixels to more than 1100 pixels.

Generator

A HAND-HELD video colour pattern generator to help with the production, installation and service of monitors and video displays is available from House of Instruments in Saffron Walden.

The RGB-11 has eight basic patterns and is battery operated giving four hours use between recharges. More information on 0799 24922.

High-speed ticket terminal

A HIGH-SPEED ticket issuing terminal with keyboard, single line display and built-in matrix printer has been introduced by Control Systems of Uxbridge (0895 51255).

The ticket appears in about one second after keyboarding and, particularly if the unit is used in conjunction with a change-giving device, customer queuing can be kept to a minimum.

Known as the AM-3, the machine has a microprocessor, a memory and software that can be written to suit each operator's needs. It can tally roll at the touch of a button. Cash collected can be reconciled against the aggregation of transaction values held in memory.

Use of the machine is simple. Having signed on with a personal code the operator can issue the 20 most popular tickets by pressing only one or two keys, the data to be printed on the ticket appearing on the display.

Electronic mail to cut telex cost

AN ELECTRONIC mail system which it is claimed can reduce the cost of telexes has been developed by Telepost in conjunction with Positron Computers.

The concept of the equipment is similar to that of a telephone answering machine except that messages are displayed on a screen or printed out.

Positron says that the system is able to maintain low cost because it uses a decentralised mailbox system where messages are stored at the destination terminal rather than needing to call up a central point for message collection.

The system can also link with public and private viewdata systems as well as telex and Teletex, British Telecom's new "super-telex" service.

At the moment the system is intended for original equipment manufacturers to add to word processors and microcomputers, but it will eventually be available as a stand alone unit. More information on 09252 28828.

Portable terminal

TECHNICAL DESIGNS of Biggleswade is now offering the Transterm One portable terminal, measuring 12 x 7 x 2 ins, in the UK.

At a price of about £350, the unit is expected to find applications in data entry and retrieval around the factory floor, in the office and in retail operations. It can be used flat on the desk or can be wall mounted and is provided with a rugged casing.

An aid to data entry is a 64 character two-line alphanumeric display in liquid crystal.

The terminal communicates in full duplex using a V24/RS232 serial interface although RS422 or 20 milliamp-current loop is also available. Communications rates from 110 to 9600 bits/sec are selectable. More on 0767 312470.

This is an original drawing of a Sumo wrestler made by a Japanese artist.

This is a 50 per cent reduced copy made by an Océ 1900 copier

TELEVISION

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.05 For Schools, Colleges. 12.30 pm News After Noon. 1.00 Pebble Mill At One. 1.45 The Flumps. 2.00 You and Me. 2.15-2.55 For Schools, Colleges. 3.25 Weekend Wardrobe. 3.53 Regional News (except London). 3.55 Play School. 4.20 The All New Popeye Show. 4.40 The Record Breakers. 5.05 John Craven's Newsround. 5.10 Rentaghost.

5.40 News.

6.00 Regional News Magazines.

6.25 Nationwide.

6.50 Looking Good, Feeling Fit.

7.15 Triangle.

7.40 Q.E.D.

8.10 Flesh and Blood (serial starring Thora Hird and Bill Fraser).

9.00 News.

9.25 Play For Tomorrow: "Easter 2016," by Graham Reid.

10.35 Wogan.

11.13 News Headlines.

11.25 Harry O. (Detective series starring David Janssen.)

Chris Dunkley: Tonight's Choice

Though I have from time to time been fairly rude about "Private Eye" and the people who write it, and they have occasionally had a go at me, I have nevertheless bought every issue from the beginning and believe that despite all its faults London would be a poorer place without it. Tonight celebrating its 21st birthday Richard Ingrams, William Rushton and John Wells, who have all been with the magazine from the start, are guests on Wogan, the promising replacement for the Parkinson show on BBC 1.

Most of BBC 2's schedule is devoted to the cinema. Early on (surely too early for a lot of people—how many are home by 6.25?) they show the 1956 Hollywood version of Rodgers and Hammerstein's musical Carousel with its bizarre scenes set in Heaven and its occasionally too wooden sets, but featuring a collection of very famous songs: "You'll Never Walk Alone," "If I Loved You," "June Is Bustin' Out All Over" and so on. Then from 9.00 till 10.45 they show the first part of an unusually long profile called The Orson Welles Story.

BBC 2

6.40-7.55 am Open University.
9.00-9.20 For Schools, Colleges.
11.00-11.25 Play School.
2.15 pm *Racing from Goodwood.*
5.10 Myers Grove School.
†5.35 Charlie Chaplin in "Triple Trouble."
6.00 Souvenirs of Sidmouth.
6.20 News Summary.
6.25 Broadway Musicals: "Carousel," starring *Gordon MacRae.*
8.30 Top Gear.
9.00 The Orson Welles Story.
10.45-11.35 Newsnight.
BBC-2 Northern Ireland only: 1.30-3.30 pm Bowls.

LONDON

9.35 am Schools Programmes. 12.00 Button Moon. 12.10 pm Let's Pretend. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News with Jane Corbin. 1.30 Crown Court. 2.00 After Noon Plus. 2.45 My Father's House. 3.45 Home Sweet Home. 4.15 Bugs Bunny. 4.20 On Safari. 4.45 CB TV—Channel 14. 5.15 Emmerdale Farm.

5.45 News.

6.00 Thames News.

6.25 Help! The community action programme.

6.35 Crossroads.

6.55 Reporting London.

7.30 Give Us A Clue.

8.00 Sorry I'm A Stranger Here Myself.

8.30 The Morecambe and Wise Show.

9.00 The Brack Report.

10.00 News.

10.45 The Human Race, presented by Desmond Morris.

11.45 Crying Out Loud, presented by Anna Ford and James Maw.

12.15 am Barney Miller.

12.40 Close: Sit Up and Listen with Michael Hordern.

† Indicates programme in black and white.

All IBA Regions as London except at the following times:—

ANGLIA

12.30 pm Gardening Time. 1.20 Anglia News. 3.45 Looks Familiar. 6.00 About Anglia. 7.00 Gambit. 11.45 Quincy. 12.40 am Tuesday Topic.

BORDER

1.20 pm Border News. 3.45 Looks Familiar. 5.15 Jangles. 6.00 Lookaround *Tuesday.* 7.00 Emmerdale Farm. 11.45 Border News Summary.

CENTRAL

12.30 pm The Young Doctors. 1.20 Central News. 3.45 Looks Familiar. 5.15 Jangles. 6.00 Crossroads. 6.25 Central News. 7.00 Emmerdale Farm. 11.45 Central News. 11.50 Angling Today.

CHANNEL

12.30 pm The Electric Theatre Show. 1.20 Channel Lunchtime News, What's On Where. 3.45 Welcome Back Kotter. 5.20 Crossroads. 6.00 Channel Report. 6.30 Looks Familiar. 7.00 Private Benjamin. 10.43 Channel Late News. 11.45 Nero Wolfe. 12.40 am Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.25 am First Thing. 12.30 pm Paint Along with Nancy. 1.20 North News. 3.45 Looks Familiar. 6.00 North Tonight. 7.00 The Electric Theatre Show. 11.45 Spellbinders. 12.15 am North Headlines.

GRANADA

1.20 pm Granada Reports. 1.30 Exchange Flags. 2.00 Crown Court. 2.30 Home Front. 3.45 Looks Familiar. 5.15 Happy Days. 6.00 This Is Your Right. 6.05 Crossroads. 6.30 Granada Reports. 7.00 Emmerdale Farm. 11.45 Barney Miller. 12.15 am Late Night from Two.

HTV

12.30 pm Paint Along with Nancy. 1.20 HTV News. 3.45 Looks Familiar. 4.15 Ask Oscar! 5.15 Diff'rent Strokes. 6.00 HTV News. 7.00 Emmerdale Farm. 10.43 HTV News. 11.45 Portrait of a Legend. (Roy Orbison).

HTV Cymru/Wales—As HTV West except 9.35-9.50 am Mwy Neu Lai. 11.38-11.54 Yn Eu Cynefin. 11.55 Cartoons. 12.00-12.10 pm Cel Cocos. 4.15-4.45 Ar El Ol. 6.00 Y Dydd. 6.15-6.35 *Report Wales. 10.45 Cefn Gwlad.* 11.30-12.30 am The Human Race (As HTV West 10.45 pm).

SCOTTISH

12.30 pm Gardening Time. 1.20 Scottish News. 3.45 Looks Familiar. 5.10 Tales of Crime. 5.20 Crossroads. 6.00 Scotland Today followed by Job Spot. 6.30 What's Your Problem? 7.00 Emmerdale Farm. 11.45 Late Call. 11.50 *Nero Wolfe.*

TSW

12.30 pm The Electric Theatre Show. 1.20 TSW News Headlines. 3.45 Welcome Back Kotter. 5.15 Gus Honeybun's Magic Birthdays. 5.20 Crossroads. 6.00 Today South West. 6.30 Looks Familiar. 7.00 Private Benjamin. 10.43 TSW Late News. 11.45 Nero Wolfe. 12.40 am Postcript. 12.45 South *West Weather.*

TVS

1.20 pm TVS News. 3.45 Looks Familiar. 5.15 Watch This Space . . . Lemon of the Week. 5.30 Coast to Coast. 6.00 Coast to Coast (continued). 7.00 The Real World. 11.45 Brass in Concert. 12.30 am Company.

TYNE TEES

9.25 am The Good Word. 9.30 North East News. 1.20 pm North East News and Lookaround. 3.45 The Riordans. 4.15 Cartoon Time. 5.15 Jangles. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 10.45 North East News. 11.45 The Two of Us. 12.15 am Let's Celebrate Ascension Day.

ULSTER

1.20 pm Lunchtime. 3.45 Looks Familiar. 4.13 Ulster News. 5.15 Lemon of the Week. 5.30 Good Evening Ulster. 6.00 Good Evening Ulster. 7.00 Emmerdale Farm. 10.44 Ulster Weather. 11.45 News at Bedtime.

YORKSHIRE

12.30 pm Looks Familiar. 1.20 Calendar News. 3.45 Calendar Tuesday. 5.15 Jangles. 6.00 Calendar (Emley Moors and Belmont editions). 7.00 Emmerdale Farm. 11.45 Barney Miller.

RADIO

(S) Stereophonic broadcast (when broadcast on VHF)

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Steve Wright. 4.30 Peter Powell. 7.00 Talkabout. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 John Dunn (S). 8.00 The Golden Age of Hollywood (S). 9.00 Listen to the Band (S). 9.30 The Organist Entertains (S). 10.00 Les Dawson at the Variety Club. 11.00 Brian Matthew with Round Midnight (stereo from midnight). 1.00 am Encore (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Schubert (S). 10.00 BBC Scottish *Symphony Orchestra* (S). 11.00 Scarlatti and Bach harpsichord recital (S). 11.30 Peter Knapp song recital (S). 12.30 pm Midday Concert, part 1 (S). 1.00 News. 1.05 Six Comments. 1.25 Midday Concert, part 2 (S). 2.15 Violin and Piano recital (S). 3.05 Stokowski Conducts (S). 4.25 Jazz Today (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 The Fruits of the Spirit. 7.30 "Caterina Cornaro," tragic opera in a prologue and two acts by Donizetti (sung in Italian) (S) Prologue. 8.05 Words (talk by John Baxter). 8.10 "Caterina Cornaro," Act 1 (S). 9.05 "The Honeywood File" by H. B. Creswell, dramatised in three parts. 9.15 "Caterina Cornaro," Act 2 (S). 9.40 The Pope on Work. 10.05 Piano Duos (S). 11.00 News. 11.05-11.15 Pan and Syrinx (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.33 Yesterday in Parliament. 8.57 Weather, travel. 9.00 News. 9.05 Tuesday Call (Angling). 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 Thirty-Minute Theatre. 11.33 Wildlife. 12.00 News. 12.02 pm You and Yours. *12.27 Detective. 12.55 Weather,* travel, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Never Been Kissed in the Same Place Twice. 4.00 News. 4.02 Village Vignette. 4.10 Mastermind of Gardening 1982. 4.40 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News, including Financial Report. 6.30 Brain of Britain 1982 (S). 7.00 News. 7.05 The Archers. 7.20 What's He Trying to Say? 7.50 File on 4. 8.20 The Countryside in May. 9.05 In Touch. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 And So To Ned: Late-night conversation and music with Ned Sherrin. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

FT COMMERCIAL LAW REPORTS

Periodically published house guide not a periodical

GEOFFREY E. SNUSHALL v COMMISSIONERS OF CUSTOMS AND EXCISE

Queen's Bench Division (Crown Office List): Mr Justice Webster: May 7 1982

A PROPERTY guide consisting mainly of advertisements, which is published at regular intervals in newspaper format, is not a "newspaper, journal or periodical" for value added tax purposes, if it is published for sale to its distributors for their own marketing purposes, and not for retail sale to the general public.

Mr Justice Webster so held when dismissing an appeal by Geoffrey E. Snushall, a firm, from a decision of the Value Added Tax Tribunal. The tribunal had dismissed the firm's appeal from Commissioners of Customs and Excise who decided that an advertisement in *a publication called the Geoffrey Snushall Property Guide,* published by the firm, was not zero-rated for VAT purposes.

Section 12 (2) of the Finance Act 1972 provides: "A supply of goods or services is zero-rated . . . if . . . of a description . . . specified in Schedule 4 to this Act."

Group 5, Item 1 of Schedule 4 to the Act includes: "The publication in any newspaper, journal or periodical of any advertisement."

* * *

HIS LORDSHIP said that the firm carried on business as chartered surveyors, auctioneers and estate agents. A considerable part of its business was concerned with the buying and selling of dwelling houses on behalf of clients. In order to promote that part of its business, it published a property guide which illustrated and briefly described such houses.

The guide was printed on sheets of paper folded broadwise, *so as to produce about 36* pages measuring 17 inches by 11 and a half, presented loose and resembling a newspaper. It was issued monthly, and amended and updated each week by supplements. The supplements were the same size as the monthly issues, but consisted of only four or six pages.

No charge was made by the firm for the property guide. It printed 22,000 copies, some of which were available at the firm's offices. Copies were also available in hotels in the area, and from the firm's display stand in a store in Leicester. There was also a mailing list of 2,000 persons.

Most copies were taken by people who were buying or selling houses, but the guide was also read by analysts and persons interested in the property market, such as bankers, solicitors and building society managers. It was widely distributed in the East Midlands. The firm's principal object in distributing the guide was to sell the property of its clients.

A typical issue devoted 30 and a half pages out of 36 exclusively to photographs and short descriptions of houses for sale, at a density of about 24 houses to a page. The two central pages were given over to a map of the area on which were prominently marked and coloured orange, the locations of the firm's principal office and nine branch offices.

The front page contained the office addresses and a short article entitled "Good News for Home-buyers," about availability of mortgages from building societies, together with a photograph and biographical sketch of a new manager at one of the offices. It also contained a short article describing the part played by the firm at a recent air display.

There was a whole page advertisement for the firm's auction rooms in Leicester, and *a half page article on a recent* House of Lords decision. The back page was entirely given over to an advertisement promoting the firm's business, including a list of companies with which it was able to arrange mortgages and a table of monthly repayments. There was no index of contents.

Each of the weekly supplements were entirely devoted to a list of withdrawals from sale and amendments of prices of properties appearing in the corresponding monthly issue, and to new offers for sale.

Some of the advertisements were placed by advertisers other than the firm's clients, but all were connected in some way with home ownership. At least the front page of each issue contained some matter with a journalistic style, for example, "Good News" in one caption, and "Stop Press" in another.

The Value Added Tax Tribunal decided that the publication of an advertisement in the guide was not zero-rated, in accordance with the provisions of section 12(2) of, and Group 5, item 1 of Schedule 4 to, the Finance Act 1972.

The question was whether the guide was a "newspaper, journal or periodical" within the meaning of the Act. In *Brutus v Cozens [1973] AC 854* Lord Reid said at page 861 that unless the context of a statute showed that a word was used in an unusual sense, "It is for the tribunal . . . to consider, not as law but as fact, whether in the whole circumstances the words . . . as a matter of ordinary usage . . . apply to the facts . . ."

The tribunal correctly decided that there was nothing in the context of the Act which required that "newspaper, journal or periodical" should be given a meaning other than their ordinary natural meaning, and found that the property guide was not a "newspaper, journal or periodical."

In support of his submission *that the guide was a* newspaper, Mr Pearce for the firm relied on its size, typeface, format, layout, the journalistic content of its front page, and the fact that it contained items described as news, albeit in a specialised field.

Mr Friedman for the Commissioners, submitted that it was not a newspaper, primarily because it contained nothing which could properly be described as news. His Lordship agreed that the guide was not a newspaper.

Was it a journal or a periodical? No suggestion was made that it was a journal. Mr Pearce submitted that it had many of the features of a periodical. The issue in question was the 61st issue. Previous issues had been published regularly, at first at three, and later four, weekly intervals, all dated and numbered. Each issue superseded its predecessor.

Those characteristics were not sufficient for it to be properly described as a periodical. Were a person to be shown a copy in the street, and asked what it was, it was unlikely that he or she would say, "That's a periodical." The answer would probably be that it was a "property guide," or in more general terms, that it was advertising or marketing material.

His Lordship did not seek to define the ordinary meaning of "periodical," or to decide whether the Exchange and Mart or Dalton's Weekly were periodicals. The significant factor which led him to conclude that the guide was not a periodical as ordinarily understood, was that it was *published for sale to estate agents for distribution,* and not for retail sale to the general public.

The tribunal came to the correct decision and the appeal should be dismissed.

Leave to appeal was later granted by the Court of Appeal.

For the firm: Robert Pearce (Lovell, Son and Pitfield, agents for Bray and Bray, Leicester). For the Commissioners of Customs and Excise: David Friedman (Solicitor, HM Customs and Excise).

By Rachel Davies
Barrister

RACING

BY DOMINIC WIGAN

THAT high-class but luckless four-year-old of last year, Castle Keep, reappears at Goodwood today where only a lack of peak fitness seems likely to prevent him from landing the 10-furlong Clive Graham Stakes.

The Duchess of Norfolk's highly consistent middle-distance performer, who ran up a sequence of second places in smart company before landing last year's Doonside Cup at Ayr, *may now need one* and a half miles to be seen at his best.

However, he remains a formidable proposition at 10 furlongs and I shall be disappointed if he cannot take advantage of the 3 lbs he receives from Six Mile Bottom, *who was flattered by a four-*lengths margin over an extremely out-of-sorts Critique in an otherwise sub-standard Ormonde Stakes at Chester 12 days ago.

Some hefty bets on Record Star came off at Windsor early *last week when the four-year-*old justified odds of 7-2 in a 25-runner Selling Handicap. It will be interesting to see if the Sherpa Industries colt is backed with similar confidence when he sets out to complete a double in the Boxgrove Apprentice Handicap.

This time Record Star, who was bought in for 5,000 guineas after that success, has a little more to do with No-U-Turn and Cashmoor in the field. However, the task should not prove beyond him.

For the final race on this *Racegoers' Club Concession Day* programme, the Levin Down Stakes, it is interesting to find Dick Hern fielding both Cut A Dash and Drumnadrochit.

Cut A Dash will not need to be anything out of the ordinary to account for Burgundy and Dawn Raid.

GOODWOOD
2.00—Record Star
2.30—Johnny Nobody***
3.30—Castle Keep
4.30—Cut A Dash

WOLVERHAMPTON
2.15—Misdirected
4.15—Khairpour

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

WHAT HAPPENS TO NEW COMPANIES: BY TIM DICKSON

An enterprising course for beginners

"BE YOUR Own Boss," is a theme that has spawned courses, seminars and television series at almost a daily rate. The message to start a new business is no longer being preached just from the political pulpit.

Statistical evidence is misleading, but what figures there are add weight to the great body of anecdotal evidence which suggests that more people than ever are taking up the challenge of developing their own business.

One training programme for potential and practising small businessmen is the London Enterprise Programme Weekend Course, sponsored by the Greater London Council Industrial Centre and the London Enterprise Agency, in association with the Polytechnic of Central London.

Two participants in this programme are Matthew Hypolite and Eileen Walsh. Hypolite is starting from scratch with a specialist book publishing business while Walsh, with comparatively limited business experience, has recently taken over an agency supplying babysitters and domestic cleaners.

Over the next few months, as the course continues, their progress will be followed on this page, with reports on how their expectations match up against what has happened in practice.

Both have been through a preliminary screening for the course, which has cost each £150.

ABOVE: Matthew Hypolite, whose Armadillo Books are aimed at West Indian children up to 6; LEFT: Eileen Walsh (right) of Babysitters Unlimited, with daily nanny, Kate Downey and her 8-month-old charge

LAST November Eileen Walsh plunged her savings into three specialist agencies — London Domestics, Babysitters Unlimited and Nannies Unlimited. In so doing, she found herself responsible for about 200 babysitters, 60 domestic cleaners—half of them men—and 40 or so nannies. Her previous experience is in secretarial work, social work, and helping to run a small estate agency.

While all three of her new operations were well established when she took over in November, the last seven months have been Walsh's own first real taste of running a business.

Client lists and goodwill have given her an immediate presence in the market, but the task ahead is to improve efficiency (this had slipped under the previous proprietor) and significantly expand the activities of the agency. "On present turnover I am working very hard for peanuts. I've always wanted to work for myself but at the same time I intend to make a decent living."

The main objectives she has set herself are to increase babysitting and domestic cleaning sessions by 60 to 70 per cent a week and triple the number of nannies placed with clients. She also hopes to place domestic cleaners on a permanent basis and, if this takes off, employ an extra member of staff; at the moment there is one other full-time employee.

"At this stage," she says, "the most immediate need is to gain greater expertise in marketing a small service business." Domestics and babysitters on her books are in good supply but the problem is finding nannies to meet the demand although she has made contacts with London and Home Counties colleges which run the Nursery Nurse Examination Board course.

"The main difficulty is finding enough time in the day to deal with marketing while continuing to deal with the day to day enquiries, hiccups, etc," says Walsh.

Much of the first few weeks were spent putting the office straight and in particular sorting out the records. Over this early period, she has begun to realise "how little I know" about the rules and regulations of the employment business. "I'm hoping that the course will point me to the right reading material on these subjects."

Tax is another area where she hopes to improve her knowledge.

A friend and adviser Ivan Idelson, who is company secretary, has also been a great help through the early days but he is now closely involved with his own business and will in future have less time to devote to the agencies.

Walsh sensibly worked for a couple of weeks with the previous owner "to see if I could really spend all day in the office. You've got to be resilient and have a sense of humour," she says. Nevertheless the sacrifices she has made have been greater than anticipated. "I had been learning the flute and learning how to play bridge and these hobbies have both had to take a back seat," she says with a touch of regret.

An ambition to fill a cultural gap

MATTHEW HYPOLITE'S business idea is based on what, as a father, he feels is an important gap in pre-school education.

Through his fledging Armadillo Publications he hopes next year to place on the market books for West Indian children living in Britain which will help explain their history, cultural environment and parents' homeland.

"West Indian parents," he says, "are alarmed that there is so little material which presents the black child positively. It is a great shock to many kids when entering school at five or under to have their colour pointed out in a sometimes hurtful way.

"If, on the other hand, they could see themselves portrayed in a predominant role they would gain confidence and would be able to combat some of the angry and possibly negative feelings which they harbour."

Although Hypolite's motives are primarily social—not, he emphasises, political—his intention is to build a sound, profitable publishing business which can stand on its own feet. "We are not looking for free handouts," he says. "We would even be prepared to pay back any grants if necessary."

Hypolite is in little doubt about the potential demand for Armadillo Books, particularly in areas of high black population which he has identified. His business plan, for example, cites a number of authoritative statements drawing attention to the shortage of this sort of material and includes the favourable results of a questionnaire carried out among teachers. Libraries and schools are expected to provide outlets as well as shops.

Hypolite's biggest problem at this stage is money to get the venture going. He and his sister, Teresa Williams, who will be the other manager, have virtually no savings of their own and are thus seeking support for their plans from the Greater London Council and Hammersmith and Fulham Council in West London. (The latter is expected to help meet some pre-production marketing expenses.)

Start-up costs are estimated at about £25,000 though working capital requirements in the first year will be more like £75,000.

Armadillo's strategy will be to produce readers initially for three different age groups (0-2; 2-4; and 4-6), and to complement those aimed at the two older categories with regular workbooks. "Coupled with a vigorous advertising campaign these should impress upon the public the need to use the books regularly with their children," says Hypolite. "They will have to be carefully priced."

The objective is to produce one new title for each age group every two months, for a total run of 25,000 copies. In-house activities will be writing, illustrating, designing, paste up and marketing with printing sub-contracted to an outside company.

Hypolite's market research suggests, on best assumptions, that there could be about 9,500 different outlets, at worst 850. The "most likely" number is around 2,500.

Hypolite, a freelance graphic designer, feels he has the "necessary organisational, technical and intellectual" skill to run the business; while his sister's administrative experience will be "a tremendous asset."

"There is a vast amount of creative ability in the writing, illustrating, and designing field that has not been tapped with the West Indian community simply because there is so little in the way of suitable businesses," he says.

A question of what is really meant by 'failure'

IS there too much gloom about the rate of small business mortality?

The answer, according to John Martin, assistant manager of Barclays Bank's corporate business department, would appear to be "yes."

Martin takes issue with those who blandly assert that 50 to 75 per cent of all new businesses fail in their first couple of years.

Part of the problem, he says, is the casual use of the word "failure."

"Very few statistical sources distinguish between enterprises which discontinue as a result of insolvency and those which cease for other reasons," he says in an article in the Bankers' Magazine.

"Many firms in the small business sector which 'fail' do so for reasons quite unrelated to financial failure; they could be taken over, for instance, and there is evidence to suggest that only a small proportion of terminated businesses actually involve insolvency."

Martin explains that the main sources of statistics on UK companies are the 1.3m businesses registered for VAT in the UK and the 800,000 or so registered companies. But he points out: "Segmented data on the age or size of new and failed companies is not collected and therefore any assessment of life expectancy is impossible." Conclusions are even more difficult to reach for smaller unincorporated business, he adds.

The fact is that no one really knows the position and Martin's guarded optimism is based on evidence as thin as that of those he criticises.

It does seem that some of the pessimism is imported (misleadingly) from the United States. Martin suggests that figures published by Dun and Bradstreet—showing that half the businesses which fail do so in the first five years—are often misquoted to imply that half of all new business (not the same thing) fail in years one to five.

On the other hand, a study published recently in the U.S. concluded that over a 70-year period only 53 per cent of manufacturing establishments survived more than three years.

The game can be played endlessly with different sets of figures. The Industrial and Commercial Finance Corporation (ICFC), for example, reckons that one in three of the new businesses which it backs ultimately fail. One has to assume that, given ICFC's proven experience in picking winners, the general picture in the UK must be considerably more gloomy.

Ignorance of the true position highlights the urgent need for more research.

In brief . . .

A FILM just produced by the Industry/Education Unit at the Department of Industry should be of interest to careers and other teachers interested in what happens to their charges after they leave the classroom for good.

The unit comes under the ambit of John MacGregor, Industry Minister with responsibility for small firms, so it is not surprising that its latest offering is entitled "Self-starters — working for yourself."

"The more I do my job the more I think that changing fundamental social attitudes is the key to encouraging new businesses," says MacGregor. "Children's minds are open and receptive and can produce good ideas and inspired solutions."

The film consists of a series of six interviews with young entrepreneurs whose occupations have clearly been chosen with 13 to 16-year-olds in mind—a tree surgeon, an engaging carpet fitter and a hot baked potato street vendor, for example.

The film's message is that working for yourself is challenging and fun, that failure is not final, and that identifying a real market need is a vital pre-requisite.

Although there are some references to the obstacles of starting up, the experiences of one or two of the businesses are seen through a rose tinted lens.

Films or video cassettes can be obtained free from the Central Film Library, Chalfont Grove, Gerrards Cross, Bucks SL9 8TN. Tel: 02407-4111.

●

STILL on the subject of visual aids, Dr Sue Birley of the London Business School has just completed (with financial backing from the Industrial and Commercial Finance Corporation) six filmed case studies of entrepreneurs and the businesses they formed.

The individuals involved come from a wide range of backgrounds and industries, talk candidly about their motivation, the decisions they took and (in retrospect) their mistakes.

Copies of the film ("New Enterprises") and a book of 16 case studies (same title, also by Sue Birley) will be obtainable from early July from Croom Helm, 2-10 St John's Road, London SW11. Tel: 01-228 9343. Prices £100 and £13.95 (£7.95 paperback) respectively.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Tuesday May 18 1982

Instability in Poland

POLAND HAS reached a degree of instability that even last month seemed unlikely. Then, the majority of Poles still appeared cowed by the abrupt introduction of martial law last December. Now, the shock has evidently worn off, partly due to General Jaruzelski's own half-hearted liberalising measures at the start of this month to free a third of his political prisoners and to remove the nationwide application of his curfew.

Empty promises

Emboldened by this lifting of the tight lid of repression an inch or two, tired of empty promises of reform and dialogue, pinched ever harder by the continuing slide in their living standards, some Poles have started taking to the streets again. Not in such numbers or frequency that the government security apparatus cannot prevail — but strongly enough to undermine the Jaruzelski regime's claim that it had the majority of the population behind it. The Solidarity underground has shown itself capable of organising regular bulletins and brief radio broadcasts, while 16 of the more radical Solidarity leaders in jail announced last week they had gone on hunger strike. It is a volatile situation that cannot last.

Hardline conservatives in the ruling military council have almost certainly taken the line that all this shows that Poland is not yet ripe, or maybe never will be ripe, for liberalising gestures. General Jaruzelski has not bought this argument, in the sense that he has not reimposed the full panoply of martial law. But if he is not turning the clock back, nor is he turning it forward. He was initially labelled a moderate because he was conducting a balancing act inside his government. It may be more accurate now to consider him a ditherer who has done little but protect his own position from internal attack.

Certainly General Jaruzelski cannot keep his policies where they are at the moment. If he does not want to go back, he must move forward. The key problem for him and even relative moderates inside the Government is that they expect popular gratitude for any relaxation in martial law and this is precisely what they are unlikely to get.

General Jaruzelski might have had a stronger case if he could point to any benefits from five months of martial law. But Poland's Communist Party, to which power would return under civilian rule, has still not rebuilt its shattered policies, confidence, and membership. The economy has continued to slide downwards, crippled by the lack of raw materials, components and spare parts from the West.

General Jaruzelski has been offered a compromise by some Solidarity leaders, and he would be well advised to grasp it soon. Influenced by the Catholic church, these Solidarity leaders, both underground and in jail, have dropped their insistence on revival of their union and an end to martial law before they talk to the Government, and are instead just asking for freedom and amnesty.

Conditions

The big unkown is whether Mr Lech Walesa, the Solidarity president who has been held virtually incommunicado, would accept this as a starting point for talks. Only General Jaruzelski is in a position to ascertain that.

The question for Western governments is whether they should budge on the conditions they set back in January on a resumption of trade credit and official debt rescheduling for Poland. These conditions were release of those interned, an end to martial law, and the real beginnings of a dialogue with Solidarity. Weakening these conditions right after the Jaruzelski moves which only provoked protests in the streets would be bad if it made Western governments appear grateful for something for which the Polish people patently is not.

Fresh credits, which the Polish economy will certainly need in 1982, are therefore out of the question. On the other hand, a unilateral declaration of Polish default by the West remains inadvisable: it would throw Poland firmly back into the arms of the Soviet Union, and would remove any reason for further contact with the West.

The best way to preserve this contact may be to move gradually forward on the question of rescheduling Poland's debts — a move which, because of the continued flows of interest implied, cannot be constructed as doing General Jaruzelski a favour.

A discipline for merger control

THE BRITISH Government is once again facing a number of awkward decisions in the field of mergers policy. The awkwardness stems not so much from the complexity of the issues, but from a decision-making process which is unsatisfactory to the companies concerned and does little to advance the public interest. It is high time these arrangements were improved.

All bids which fall within the scope of the Fair Trading Act are examined by the Office of Fair Trading to see whether or not they should be referred to the Monopolies and Mergers Commission. Like the Commission, the OFT is guided by Section 84 of the Act which sets out the questions of public interest that have to be taken into account in merger decisions; they include the desirability of promoting competition, encouraging cost reduction and maintaining the "balanced distribution of industry and employment." The OFT makes its recommendation to the Secretary of State for Trade, who may or may not accept it.

Political pressure

The process takes place in secret and lends itself to behind-the-scenes lobbying. The Secretary of State is not required to make public the reasons for his decisions; his discretion is wide and subject to no very obvious check. One consequence is that referral decisions become "politicised" to a quite unnecessary extent. The more noise the opponents of a merger make, the more likely it is that it will be referred to the Commission; in effect the Minister can shuffle off a problem to the Commission, which is less vulnerable to political pressure. The current bid from Charter Consolidated, the mining finance group, for Anderson Strathclyde, the Scottish-based mining machinery company, illustrates the point. The "Scottish card" is being played for all it is worth by opponents of the deal, just as it was a few months ago with the Royal Bank of Scotland.

A further consequence is that agreed bids seem more likely to escape referral than opposed ones. Such an outcome cannot be taken for granted, but when the two companies jointly put up a plausible case for the economic and industrial benefits of their proposal, it is less easy for the examiners to find an obvious detriment to the public interest.

Decisions are now awaited on two agreed bids—between Argyll Foods and Allied Suppliers and, in the mail order industry, between Great Universal Stores and Empire Stores. In the first case the companies seem to expect, on the basis of informal OFT guidance, that the bid will be cleared. Yet an earlier, opposed, bid by Argyll for Linfood Holdings was referred. It is true that the implications of the two bids for the structure of retailing are not the same; it is certainly possible to argue that the Argyll-Allied merger will not adversely affect competition. But if the deal is cleared on that basis, why should the Secretary of State not say so?

Clarification

An obligation on him to state his reasons for referral decisions would be a useful discipline and help to clarify Government policy towards mergers. The vast majority of cases could be dealt with in one or two sentences, since they do not raise issues of public interest as defined in the Fair Trading Act. Similarly horizontal mergers leading to a substantial increase in concentration (like the Nabisco bid for Huntley and Palmer) are obvious candidates for referral. It is in the borderline and especially the "political" cases where further explanation is needed.

It is sometimes argued that a public statement would run into problems of commercial confidentiality, especially in "rescue" bids where the company to be acquired is in financial trouble. But if this argument for non-referral is being used by proponents of the deal and is accepted by the Government, a public statement would rarely make the situation worse.

Under the present system lobbying skills sometimes count for more than economic or industrial arguments. Making the referral process more open would be fairer to the companies concerned and help to make mergers policy more consistent.

ZIMBABWE LEADER'S EUROPEAN TOUR

Why Mugabe needs the West

By Tony Hawkins in Harare

THREE MONTHS after a potentially damaging internal political battle, Zimbabwe today launches a major diplomatic campaign to restore European confidence when Mr Robert Mugabe, its Prime Minister, begins a seven-nation tour.

The trip, starting in London, could prove Mr Mugabe's most important foreign tour, certainly in economic terms, since he became premier just over two years ago.

Despite all the rhetoric and publicity surrounding Zimbabwe's commitment to non-alignment, to a socialist economy, and to closer ties with the socialist states of Eastern Europe and the Far East, the country remains heavily dependent on Western trade, aid and investment flows.

Politically, Mr Mugabe will be using his visits over the next three weeks, to Britain, France, West Germany, Italy, Belgium, the Netherlands and Greece, to reassure these major Western countries that his much-publicised split with Mr Joshua Nkomo, his partner in coalition since independence two years ago, will not jeopardise long-term stability.

But economic issues are likely to dominate his discussions — which is why his delegation includes the Ministers of Finance and Economic Planning (Dr Chidzero) of Agriculture (Mr Norman) of Manpower Planning (Dr Shava) and of Industry and Energy Development (Dr Makoni).

The Zimbabwe team has two key tasks to tackle on this trip. First, the Ministers will be out to attract both official and private sector investment, pointing out that after two years of remarkable economic expansion, the economy is slowing down because it lacks foreign exchange and—to a lesser extent —because of an acute shortage of specialist skills and experience.

Second, they believe they must counterbalance what they regard as an undeservedly bad Press in the Western media, and especially in Britain.

Officials cite the foreign Press coverage of the dismissal of Mr Joshua Nkomo and his top aides from the coalition Cabinet—because of the discovery of secret arms caches on several farms belonging to the Zapu movement—as evidence of what one described as "hysterical overreaction." Certainly, the dire predictions of public unrest and civil war have proved unfounded.

It is true, however, that there have been significant defections from the army. One estimate puts the number of so-called "dissidents" (a reference to former guerrilla soldiers from Mr Nkomo's Zipra army) who have returned to the bush with their arms at between 1,000 and 1,500. But although the underlying motivation may have been political, dissident activity is largely confined to robbers and bandits.

Dissident activity is largely confined to the Noebele-dominated western half of the country from where Mr Joshua Nkomo draws the bulk of his political support, but ministers maintain that there is no evidence of political organisation and no sympathy from the civilian population.

This does not mean that Mr Nkomo's Zapu is no longer a political force. Indeed, with the effective collapse of white political opposition—almost half Mr Ian Smith's 20 white members of parliament have left his Republican Front to sit as independents and have let it be known that they will often support the Government in Parliament—it is Zapu alone that constitutes the political opposition. Just how far Zapu will go in opposing the Government in Parliament will become clear only when the House re-assembles in mid-June, but Mr Nkomo has little room for manoeuvre.

First, he faces the possibility of prosecution arising out of the secret arms stockpiles. Secondly, Zapu, which has always had the reputation of a solidly united and cohesive political force, is split between those who are opposed to Mr Mugabe and the eventual establishment of a one-party state, and those who support the continuation of the coalition government from which Mr Nkomo was dismissed in February.

This problem surfaced early this month when the Zapu central committee condemned two party members for accepting posts in the Mugabe Government in the April Cabinet reshuffle.

Thirdly, there is the obvious danger of opposing in Parliament policies that are designed to achieve what the Prime Minister has called "national transformation". The signs are that the 1982 Parliament will be faced with far-reaching social and economic legislation which few black politicians would wish to oppose.

The real crunch for Mr Nkomo and Zapu will come over the issue of establishing a one-party state. However, although the idea has been canvassed, legislation looks to be years away. The cynical view that the ruling party wants to introduce it before the elections, due in late 1984 or 1985, has little substance. Mr Mugabe's Zanu faces no danger of electoral defeat: political change in Zimbabwe, if it is to come, will rather stem from divisions within the ruling party, where there is already a debate between its radical and pragmatic wings.

For his part, Mr Mugabe is anxious to keep his reconciliation policy afloat, and his handling of his political opponents this year has been little short of masterly. Not only has he demoralised Mr Nkomo's Zapu while still keeping four Zapu Ministers in his Cabinet, but he has split the parliamentary whites down the middle and given ministerial posts—in the form of largely technocratic appointments — to two white former supporters of Ian Smith. How much longer Mr Smith will stay in public life is unclear but among the white minority now down to an estimated 170,000 (some 40,000 people, mostly whites, have emigrated since independence) concern focuses not on political issues but primarily on job security and their children's education.

Ashley Ashwood

Robert Mugabe: formidable problems, but undeniable achievements

> Zimbabwe cannot maintain an adequate growth rate without substantial foreign finance

The economy is visibly slowing down after three years of exceptional growth, with real gross domestic product rising 7.5 per cent in 1979 (even before the settlement), nearly 12 per cent in 1980 and 10 per cent last year. This year real growth is unlikely to exceed 3.5 per cent —the rate of population growth.

There are four main reasons for this year's slowdown; the world recession is having grave effects in the mining industry; the severe 1981-82 drought has led to a 45 per cent reduction in the maize crop; the strained balance of payments position has necessitated a 14.5 per cent cutback in import quotas; and the exodus of skills and experience has resulted in declining productivity in some industries and a falling-behind in investment programmes, notably in the public sector.

At the time of independence, Zimbabwe was much under-borrowed with a debt-service ratio (to exports of goods and services) estimated at around 3 per cent. Today the debt-service ratio has jumped to 16 per cent, reflecting foreign borrowings last year of more than £350m. in order to finance a current account deficit of some £400m.

Zimbabwe has signed many trade agreements with Third World countries and Eastern Europe since independence (one of the most recent being with East Germany), but these economic links are dwarfed by trade, aid and investment ties with OECD states. Last year more than half of Zimbabwe's foreign trade was with the OECD area.

On the aid side, assistance totalling £950m was pledged to Zimbabwe at the Zimcord conference (Zimbabwe conference on reconstruction and development) a year ago. Britain, with aid pledges of more than £130m is the largest single donor, followed by the United States and the EEC (£90m).

The speed with which these aid funds are being applied has been frequently criticised. But Dr Bernard Chidzero, the Minister of Finance and Economic Planning, who is accompanying the Prime Minister, said recently that some £350m of the Zimcord aid had been committed — as much as could reasonably be expected.

The Government is due to publish its three-year transitional development plan in mid-year, envisaging expenditure of £3.4bn over the period, of which 38 per cent will have to be raised externally.

It is likely that details of the programme, and how it might be funded, will feature prominently in Ministerial discussions that the Zimbabwe delegation will have.

To date, the foreign investment record has been extremely disappointing. There are no official figures of direct investment in Zimbabwe since April 1980, but the figure is believed to fall short of £25m.

There are hopes that a breakthrough might be in the wings, in the form of two significant international investments—one by H. J. Heinz of the U.S. in the food processing sector, and the other by Scania of Sweden in vehicle assembly. If these go ahead—as seems highly probable—then it may be that the logjam will have been broken and the waggon will start to roll.

Roll it very definitely must, since, as recent experience shows, Zimbabwe simply cannot maintain an adequate growth rate to accommodate its fast-growing population without substantial injections of foreign finance.

Without access to significantly increased levels of foreign exchange, the social gains in the form of free primary education, a broader-based health service with free facilities for the poor, more jobs in the industrial sector (but a sharp loss of employment in agriculture) and substantially higher wages, will be much diluted.

This is most obvious on the jobs front. Since independence 100,000 new jobs have been created, but half of these have been lost because of lower employment in farming in response to the introduction of minimum wages in the sector.

Two other formidable long-term economic problems are weighing on the minds of Ministers. First there is the geo-political issue—the extent to which Zimbabwe will be drawn into and suffer from regional tensions. Relations with South Africa — often accused of attempting to "destabilise" her neighbours—are delicate, and Mr Mugabe has to walk a tightrope between sympathy for exiled opposition parties and Zimbabwe's self-interest.

Secondly, there is land. After resettling 14,000 families in the first two years of independence, the pace is being stepped up to a target of 164,000 families over the next three years. White commercial farmers fear that this can be achieved only by replacing at least half their number with small-scale peasant producers.

This begs three crucial questions. Will the finance be available to pay for the land, as is presently stipulated in the Lancaster House constitution? What will be the impact of such a land transfer on output, bearing in mind that the white farmers are responsible for some 85 per cent of marketed output? And finally, what will happen to the 700,000 or more blacks currently employed or living on commercial farm land?

Finance for resettlement is bound to be high on Mr Mugabe's agenda for the London talks, although it is considered unlikely that the British Government will be forthcoming on any significant scale.

Formidable though these problems are, they should not be allowed to mask the achievements of the past two years and the obvious potential that exists for rapid economic advance once the world economy recovers some momentum.

Men & Matters

Sparkle in the City

Sir Christopher Leaver, the Lord Mayor of London, and a rich assortment of City dignitaries were bubbling with pleasure yesterday about the taste and style of architect Richard Seifert's new office complex in Devonshire Square opposite Liverpool Street station. Leon Brittan, Chief Secretary to the Treasury, took time off from managing the economy to perform the opening ceremony.

"A pretty little development" was the first reaction of one invited financier. In saying that he was unwittingly doing the Cutlers Gardens project much less than justice. Costing £70m and providing 500,000 sq ft of office space, it is the biggest office development recently completed in London and is one of the most ambitious conservation schemes for old city buildings yet seen in Europe.

However it is a deceptive piece of work because it does not appear either big or extravagant to the passer-by. The developers, Greycoat Estates and Standard Life Assurance Company, have taken the ruins of the old East India Company trading centre built in the late 18th century and have converted them into modern offices.

Four original facades of the India Company buildings in yellow bricks—London stocks—have been preserved. The problem was how to match their mellow finish with new materials.

Stewart Lipton, a director of Greycoat, flew to Brazil. Up a mountainside above the Rio Grande valley he had 200-tonne granite boulders smashed open and he chose an unusual yellow granite coloured by iron deposits to match the old brickwork. The granite was cut and dressed in Italy and then sent on to London. It was an inspired choice. The granite and the brickwork complemented each other like sausage and mash.

Cutlers Gardens is the largest single development so far by Standard Life although the company is now spending up to £40m a year on direct property ventures.

Lord Chelmer, chairman of Greycoat for the past 2½ years, has his eye on the big one next: the contentious Coin Street site on the South Bank of the Thames. Greycoat has a scheme by architect Richard Rogers (who designed the Pompidou building, Paris) which would include offices, shops, housing, courts, a gymnasium, and a pounds. Like the Cutlers Gardens development it would be a number of separate buildings and it would run down to the Thames from Waterloo along a spine of amenity buildings and it would run down to hobbies are architecture and landscape gardening.

Old soldier

Aware of the diplomatic courtesies that a visiting dignitary should observe, Robert Mugabe, Zimbabwe's Prime Minister, will be paying a call to Westminster Abbey today to lay a wreath at the tomb of the unknown soldier at the start of his first official British tour.

Apart from a wish to show politeness to his hosts, Mugabe's gesture—it was his idea, according to Number Ten—may seem curious. After all, Zimbabwe, now two years old and the youngest African state, has little reason to remember the northern French trenches of the First World War, where the anonymous warrior met his death.

However, Mugabe will be talking about present-day British soldiers when he meets Peter Blaker, Minister of State for the Armed Services. The agenda is likely to include the role of the 80 British advisers in Zimbabwe, who are helping to integrate former Rhodesian forces with their one-time guerrilla opponents.

It is also worth speculating that Mugabe's pilgrimage to the Abbey could be an acknowledgement of his own warrior past.

Schroder girls

Question: Which subsidiary of a major UK merchant bank has just bought a 10.4 per cent stake in a company which earns much of its income distributing films such as "Satan's Cheerleaders" ("When these girls raise Hell there's the devil to pay"), and "Cathy's Curse" ("She has the power . . . to terrorise")?

Answer: J. Henry Schroder Corporation, the U.S. investment banking arm of J. Henry Schroder Wagg. The cost of the deal was $250,000, for which Schroder has received a stake in 21st Century Distribution Corporation, a U.S. film distributor.

The 21st Century business has only been a public company for one year. Schroder's investment represents a 37 per cent increase in share capital for the group. In London, a spokesman for Schroder said the venture into colourful films was nothing to do with the UK parent. Such an investment would be a decision taken in New York.

At 21st Century, Mr Art Schweitzer, executive vice-president, said his organisation had approached Schroder. The $250,000 would be used "to acquire motion pictures" and to help finance the growth of 21st Century ventures such as Planet Video, a video distribution company.

Part of the film company's policy, which Schroder must have decided was potentially lucrative, involves buying films at knock-down prices from companies which are in trouble. "Satan's Cheerleaders," which co-stars a group of actors called "The Huskies," cost only $2,000.

Dry and bright

The business lunch in New York has never been quite the sumptuous repast that tradition and a more leisurely pace of life have made it in London. First-time visitors from Europe have been known to be surprised—insulted even—when offered a couple of spartan courses and a glass of iced tea, and bundled out at 2 pm on the dot.

While our London gents seem to believe that the world looks better with three courses and a good bottle of Chateau something-or-other, the hard-driving, jogging fraternity on Wall Street prefer to keep a clear head and a lean stomach.

Alcohol is usually available, but it tends to be tucked away in a discreet cocktail cabinet and is not always offered. So he who is partial to a stiff G and T before taking his seat can find himself in the awkward position of having to ask for it—feeling like the man in a Bateman cartoon.

Several institutions have already reduced their stock to sherry — and then only for visitors.

Johnson and Higgins, a leading New York insurance broker which is closely allied with Willis Faber of Lloyd's, has now gone one step further by banning alcohol entirely from its dining rooms. A memo has been circulated saying it tarnishes the image and impairs productivity.

Dogged

Merriment in court at Mallow, County Cork, when five people were fined for keeping unlicensed dogs. Owners and dogs were all from the Kennel Hill Estate.

Observer

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FINANCIAL TIMES SURVEY

Tuesday May 18, 1982

Corporate Finance

After several false dawns last year the signs of industrial recovery are now becoming clearer, though an improvement in the flow of funds is not likely to follow immediately and much will depend on whether profits make a strong recovery.

Cautious reaction to business upturn

By Barry Riley

SLOWLY, the UK economy appears to be recovering from the worst of the recession. However, across much of industry the upturn is being treated cautiously.

That is only natural, when there have been several previous false dawns—one last spring, and another during the autumn—and when some quite major sectors like the motor industry and the petrochemicals industry remain depressed. Yet it is looking increasingly likely that the corner has been turned.

In liquidity terms, however, the recovery will not necessarily *make conditions a great deal* easier. Already bank borrowing has risen sharply, and in recent months has increased by £2bn or more. A large part of this has been attributable to personal lending, but companies have been big borrowers too.

In the depths of the recession companies were cutting back hard on their spending—most notably on stocks and work in progress. In the second half of 1980 and in the first half of 1981 the industrial and commercial company sector trimmed its volume of stocks by over £6bn. By the second half of 1981, however, the stock reduction was slowing to a trickle—and allowing for price inflation, stocks were beginning to absorb cash again.

Although industrial and commercial companies had clawed themselves back into financial surplus for much of 1981, by the final quarter the sector was back in modest deficit.

A key influence on financial events within the company sector over the past year was the civil servants' dispute, which meant that for a period of some months in the spring and summer large sums of tax were going uncollected. Effectively, companies were in a position to fund themselves from Government revenue. But eventually these bills had to be faced up to.

Wild fluctuations

The combined effect of the rundown of inventories and the civil servants' dispute was to produce wild fluctuations in corporate sector financial flows last year. Thus the net borrowing requirement of industrial and commercial companies in the second quarter of 1981 was actually negative, on a seasonally adjusted basis. Companies piled up about £1.6bn more in liquid and other financial assets than they borrowed from the banking system.

This temporary respite is also evident from the Department of Industry's survey of the liquidity of large companies. Liquidity improved quite markedly in the second and third quarters of the year.

However, since then the squeeze has been on again. As the tax backlog has been cleared, companies have been forced to borrow again. In October-December 1981 the net borrowing requirement of industrial and commercial companies was an astonishingly large £4.6bn — although as £2.4bn represented "unidentified transactions" it may be that foreign currency effects, or the running of artificial money positions by corporate treasurers, were as much to blame as any underlying need for companies to borrow.

The high level of interest rates has made such borrowing expensive. Industrial and commercial companies paid out interest of about £8bn in 1981, although they also received more than £2bn of interest income.

If companies are now to be able to finance a higher level of activity — which will suck cash into working capital—they need to achieve a substantially higher level of profits. For several years now, profits have been under pressure. According to the Central Statistical Office, gross trading profits of non-oil companies fell from £17.7bn to £17.3bn in 1981.

In real terms the picture is worse. The undistributed income, or retained profits, of industrial and commercial companies, excluding stock appreciation, but including North Sea oil earnings, fell from 9 per cent of Gross Domestic Product in 1077 to less than 6 per cent in 1981.

A surge in profits would cure any serious financial pressure on companies. In any pickup from the bottom of a business cycle the improvement in profits can be sharp. This is because the productivity gains from higher volume are considerable, where there has been spare capacity, and because wage demands are conditioned for a time by recessionary memories.

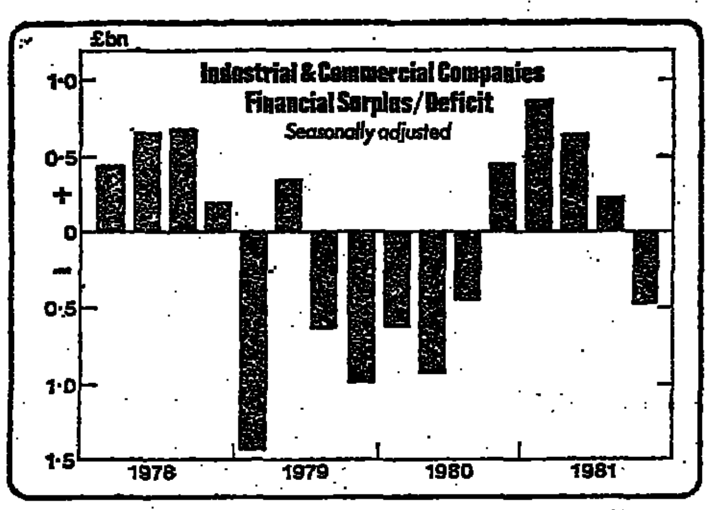
Later in an economic cycle, volume growth may have to be achieved by adding expensive new capacity. Also the bargaining power of employees is greatly enhanced.

However, the severe industrial slump endured by the UK in the past couple of years has represented much more than a normal cyclical downturn, and past patterns may not be relevant. Certainly, the evident problems of the U.S. economy are now casting a shadow over the prospects of a UK upturn.

At least companies will be hoping for further falls in the cost of borrowing. The rate of inflation in the UK is soon likely to drop below 10 per cent, and the Treasury has forecast that prices will rise by only about 7½ per cent in the next year. That makes current overdraft rates of 13 per cent and above look distinctly expensive, and the same applies to long term interest rates.

Barclays Bank and Reed International have recently borrowed medium or long term money at around 16 per cent, but in general corporate borrowers continue to be shut out of the fixed interest new issue market, which is domnated by the *UK Government* and in the "bulldog" sector, various official or semi-official overseas borrowers, such as the World Bank.

In general, British companies have continued to rely heavily on bank finance, whether in short or medium-term form. Some have turned to shareholders for equity capital through rights issues—the £600m-plus blockbuster by BP last year being followed more recently by Vickers and Hammerson Property. However, the uncertainty generated by the Falkland crisis has dampened recent activity.



New capacity

For years the Government has crowded companies out of the bond merket, but it has recently posed a new threat by *putting much more emphasis* on index-linked borrowing. Since the March budget inflation-proofed gilt-edged have been available to all investors, and companies have not been willing to compete in this sector. Fortunately, the overall level of borrowing by the Government has been falling. Indeed, the public sector borrowing requirement undershot the target by £2bn in the financial year 1981-82.

This *opens* up the possibility that, if only interest rates could be brought down, British companies might be able to raise long term money and reduce their often unhealthy reliance on bank financing. But interest rates are still a number of points higher than the level at which most finance directors would find long-term fixed interest finance to be attractive, and it seems unlikely that sterling interest rates can fall substantially until dollar rates do the same.

At least the UK equity market has held up reasonably well over the past year. It suffered a sudden and nasty shakeout last September, but recently has performed better than *major foreign markets* like those in the U.S. and Japan.

This has provided a favourable background for the early *development of the* Stock Exchange's second-tier arena for small companies, the Unlisted Securities Market. Although there has been only a trickle of new flotations on the main equity market—many of them being Government sell-offs—the number of USM companies has now topped 100.

Untried companies

Inevitably there have been some problems with the influx of such a large number of *often young and untried companies*. The problems of Euroflame have filled many column inches of newspaper space. However, the USM does appear to be fulfilling a need.

Not only the Stock Exchange has been trying to cater for the capital requirements of small companies. A great many vehicles have been established by various financial institutions in order to fill what has been thought to be a gap in the range of financial services on offer.

The institutions that have tried to find ways of nourishing *the entrepreneur and the small* family business include banks, insurance companies, pension funds and investment trusts. The availability of such finance has encouraged a largely new phenomenon, the buy-out of divisional operations of large companies by the existing management.

However, in seeking to switch some of their emphasis from big to small companies, the major financial institutions have not been able to find the volume of business that they would like.

The financial institutions certainly face challenges in responding to the needs of companies in the recession. The degree of help which ailing companies should be able to expect from their bankers and big shareholders is a subject for constant debate.

Institutional shareholders are now dominant in the registers of most companies, but are not yet, in most cases, willing to concede that they carry a responsibiltiy to support and encourage managements which might conflict with their right to buy and sell shares as they choose. The ill-feeling over "dawn raids" has highlighted this conflict, though the number of such raids has fallen in recent months.

Banks are in the front line when companies get into trouble, and there can be an awkward choice between nursing a company through its problems and pulling the plug so that the bank can hold on to at least some of its security.

All these problems and conflicts crystallised in the sad case of Stone-Platt, which collapsed amid an unfortunate barrage of accusations and disclaimers, which left Midland Bank and various institutions like Equity Capital for Industry seeking to justify their positions.

It was an episode which reminded the various practitioners in corporate finance that they are operating in an environment where politics can intrude rudely into commerce.

CONTENTS

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New issue market restored to a lively position

IN THE past year, the new issue market has returned to its rightful position as one of the most lively corners of the stock market.

The creation of the Unlisted Securities Market, the flotations of three large nationalised industries and a record flow of rights issues are the main ingredients that have combined to make a fizzy, if not always sweet, brew.

So far this year, these same ingredients continue to flow, and the total level of new money raised by the sale of marketable securities could end up not much below last year's record £3½bn.

The amount of money raised from rights issues in the first four months of this year is well ahead, at £309m compared to £215m in the previous period, mainly because of a flurry of issues from property companies suffering from high interest charges on their borrowings. MEPC raised £62.3m in January and Hammerson Property £73m last month.

However, it is unlikely that last year's record total of £1.8bn raised from rights issues will be matched this year. For one thing, the blockbuster £624m issue by British Petroleum boosted last year's figure. And there is as yet no sign of the late spring surge of calls on shareholders from industrial companies that occurred last year.

Nevertheless, the overall new money raised on new issues this year should remain high provided the planned £¾-£1bn public flotation of shares in Britoil goes ahead.

The Government's sales of shares in three nationalised corporations in the past year and a half has been perhaps the most controversial development in the new issue market.

Grumblings

Grumblings about the high premiums obtained in initial dealings in British Aerospace shares in February 1981 grew louder when the same thing happened with the sale of half the shares of Cable and Wireless last November. But the grumblings turned to a political outcry over the heavily oversubscribed £71m sale of all the shares of radioactive isotope maker Amersham International three months ago.

The problem, according to the critics, is that the shares were priced too low in the offers, thus enabling initial investors to profit from the premium on initial dealings while the Government was denied considerable sums it would have received if the offer prices had been pitched higher.

In the case of Amersham the shares were offered at 142p but began trading at 190p. If the offer had been pitched at, say, 180p, the Government might have received another £18m.

Defenders of the conventional fixed price offer for sale method used for the three big Government flotations retort that if the price had been 180p, perhaps the issue would have flopped.

It should also be recalled that the problem of pricing new issues in the past year was not restricted to the Government. The most spectacular response to an offer was to that of Exco International which was oversubscribed 52.5 times compared to Amersham's 24.6 times. In initial dealings, the shares jumped from an offer price of 140p to 185p.

Government accused

The Public Accounts Committee of the House of Commons examined the cases of the three nationalised companies and accused the Government last month of failing to obtain the highest possible benefit for taxpayers. Its suggestion that future issues should perhaps not be underwritten by merchant banks has been poorly received, but its observation that the number of people retaining shares in these companies drops drastically after the Government's argument for fixed price offers for sale.

The way of getting the issue is to use the offer-by-tender method, but the Government felt this would confuse many individual investors and so work against its objective of having the shares as widely spread as possible. However, in the case of British Aerospace, the number of shareholders dropped from 158,000 at the time of the offer to 27,000 ten months later.

The result of the controversy is that there is a lot of pressure to use the tender method for the planned sale of Britoil but City experts are nervous about its practicality for such a large issue. Most recent tenders have been in the £10m range.

Another consequence of the controversy has been to make other companies considering share flotations look carefully at the tender method. AIM, an aircraft fittings group which made an offer for sale in March, contemplated it but chose instead a very tightly priced fixed offer. More recently, Associated Heat Services chose to have a tender for its sale of 3.2m shares.

Perhaps the most exciting development in the new issues field in the past year has been the progress of the Stock Exchange's new Unlisted Securities Market. Set up in November 1980 to provide a regulated market for small companies that did not have an adequate record to obtain Stock Exchange listing. The USM has been an instant success.

It has attracted more than 100 companies of all shapes and sizes. The USM is home to some sizeable oil exploration companies, such as Sovereign Oil and Gas and Cluff Oil and to some purely speculative projects, such as Hesketh Motorcycle and Nimslo. In between, there is a large group of small industrial companies, many in computers and other high technology sectors. The USM list also includes financial, property and retail groups.

More than £80m has been raised so far through placings, offers for sale and rights issues and many of them have been sponsored by small and provincial brokers whose names had not been seen on a new issue document for a very long time.

There have been some complaints that much of the funds raised in these issues have gone into the pockets of the companies' founders rather than into expansion. In one case, Subelectro, in which the entire £2.9m proceeds were destined for the principal shareholder, the floatation was ultimately cancelled. In many cases, however, the companies are generating plenty of cash and do not need to raise funds.

Bankruptcies

USM share prices initially tended to be higher than those in the main stock market, reflecting perhaps the argument that small companies offer much greater potential for growth than larger ones. But they are much more risky, and the overall performance in the USM now lags behind the main market. The FT-Actuaries all-share index shows a 10 per cent gain since November 10 1980 when the USM opened, while Hill Woolgar's index for the USM, which is calculated in the same way as the all-share, shows only a 4 per cent gain.

Given the speculative nature of many companies in the USM, it was inevitable that there would be scandals and bankruptcies. To many observers' surprise, however, there were none in the market's first 15 months of operation, then suddenly there were two.

American Communications Industries, a film production company, has filed under Chapter 11 of the U.S. bankruptcy code, and Euroflame UK, the principal subsidiary of Euroflame Holdings, a wood stove and cooker distributor, has been placed in liquidation. A Department of Trade investigation has been launched on Euroflame share dealings as well. However, worries in some quarters that failures like these would undermine the credibility of the USM seem wide of the mark.

While some City institutions and companies have made a point of not getting into the USM, the flow of issues has shown no signs of abating and some of the City's best names continue to sponsor the newcomers. Late in April, the number of companies in the market reached 100 with a combined market capitalisation of £1.1bn.

Anomalies

On the whole, the market has worked efficiently although a few anomalies have appeared. For example, a few weeks ago, Markheath Securities, a property company which came to the USM only last August, announced it was applying for a full listing. If it had gone for a full listing directly, it would have faced substantial expenses for advertising, which it has not had to do by using the USM as a brief stepping stone.

Intasun, the travel group, surprised the City when it decided to seek a USM quotation last spring rather than a full listing. With pre-tax profits of more than £10m, it certainly qualifies for a listing, but the owners did not want to part with 25 per cent of their shares. The USM requires that a minimum of 10 per cent of a company's equity be provided to the market.

Another outsized company is Asprey, the Bond Street jewellers, which reported profits of £2.1m in the half-year to September 1981. The Asprey family, which controls the company was interested in the tax advantages of the USM. Because it is not a quoted market, capital transfer tax of gifts of shares of USM companies may be reduced by up to 50 per cent in such cases.

Another major feature of the new issue market in the past year or so has been the revival of fixed interest sterling bond issues by foreign bodies, the so-called bulldog bond market. Since the summer of 1980, more than a dozen issues have been made, mainly by governments and their agencies, but including issues by two Canadian companies, Inco and Trans-Canada PipeLines.

There is still a queue of agencies wanting to come to the market but continuing high interest rates remain a deterrent.

Ian Rodger

Company profits recovering from last year's catastrophic levels

COMPANY PROFITS in the UK are now recovering from the catastrophically low levels reached in 1980 and, worse still, the first half of 1981, when the real level of profits touched the lowest level ever recorded.

Even a second-half bounce left 1981 gross trading profits for industrial and commercial companies — excluding the buoyant North Sea sector—at a mere 10.2 per cent of gross domestic product, compared with more than 15 per cent four years earlier. With stock appreciation stripped out, the proportion drops to 8.3 per cent.

The causes of this decline were manifold. In 1979 the newly-elected Conservative Government was determined to pursue a monetary policy a good deal tighter than those of most other countries, something to which its fiscal policies were most imperfectly attuned. This necessitated a rise in prime corporate lending rates to 18 per cent, two points higher than the level seen in 1976 when sterling had been in free fall.

Quite apart from the direct financial pressure this applied to the British corporate sector, the tightness of money in London relative to all other major financial centres pushed the exchange rate of sterling—already buoyed by Britain's possession of North Sea oil at a time of sharply rising energy prices—to levels at which the domestic manufacturing sector was hopelessly uncompetitive. The adjustment was more painful as British industry had enjoyed more than a decade of unquestioned exchange rate depreciation.

Fiscal policy at this time seemed to favour the consumer at the expense of the corporate sector. Direct corporate taxes in the UK have been low ever since the introduction of stock relief in 1974, but companies were subject to an employment tax, and nothing was done to compensate producers for the transfer of wealth to the consumer that was implicit in the firming of the pound.

Public sector charges, meanwhile, were being recklessly increased, as the Government cut subsidies to the nationalised industries as a means of reducing its own budget deficit, obliging them to raise the prices of goods and services of which they were monopoly suppliers. Energy prices were in any case rising quite rapidly.

The Government also paid very large wage increases in the public sector in its first year of office, putting upward pressure on wage costs to the private sector. No wonder that forecasters from the Bank of England downwards were afraid of a squeeze on corporate cash flows as severe as that of 1974-75, or more so.

Companies in general, however, have concentrated on the health of their balance sheets at the expense of reported profits. The high interest rates imposed in the winter of 1979-80 led to a frantic attempt to reduce working capital levels throughout industry.

Profit reduction

The process was at first disguised by the steel strike in the first quarter of 1980, which made many steel-users more concerned about security of supply than the cost of carrying inventory. However, once the strike was over dizzying falls in demand were reported in almost all manufacturing sectors, and the reduction in profits—especially in those businesses with high break-even levels—was even more pronounced.

The attempts to conserve cash meant in many cases that dividend levels—which became more expensive to maintain as the tax shelter provided by reasonable UK profits disappears—were sacrificed. Expenditure on fixed assets was trimmed, rather than cut back wholesale—although that is in the nature of long-term capital commitments. At constant 1975 prices, and including assets leased from the service industries by increasingly tax-exhausted manufacturers, capital spending fell from £4.2bn in 1980 to £3.6bn in 1981.

The most striking cutbacks have been in labour and capacity, as shown only too clearly by the very high level of unemployment and the swollen write-offs below the line in companies' profit and loss accounts. At the level of individual companies, this drastic shrinkage was necessary to prevent cash from flooding out, and to ensure profitability at a lower level of demand.

The Government's attempt to reduce the public sector's deficit requires that another sector of the economy should increase its deficit or reduce its surplus. The corporate sector has been determined not to accept this burden.

One by one, the factors that led to the profits squeeze have begun to reverse over the past year. Money is still relatively tight in the UK, in that current short-term interest rates are well above the continuing rate of inflation, but that no longer makes London an international exception. Indeed, British interest rates had to be raised for a while in the autumn of 1981 in order to protect the pound from the ravages of very high dollar interest rates. However, by then sterling had already fallen from a peak of $2.40 to around $1.80, a level which it has since more or less held while bank base rates have come down by three percentage points.

At its present level sterling is still over-valued by the standards of 1978, and import competition remains severe. But the UK is no longer the favourite dumping place for internationally traded goods—a particular danger when world recession forces manufacturers to search for new markets in which they can offload goods at marginal cost.

As a result, the company sector in general finds itself with lower fixed costs, a more competitive position on world markets, a level of capital gearing that is by no means excessive, and a market in which demand is beginning to recover in places.

Naturally, profits are rising sharply, a point that has not been lost on the equity market. Brokers Phillips and Drew estimate that industrial profits grew by almost 30 per cent in the second half of 1981 over the very depressed period a year earlier, and they forecast 20 per cent per annum growth not only in 1982 but in 1983 as well.

Justification

Current cost profitability is improving even more rapidly, given the low level of internal inflation. This gives some justification to forecasts of fairly rapid dividend growth. But many companies which have cut their dividends must be anxious not to return to inappropriately high levels of distribution, especially as a good deal of cash will be absorbed by higher working capital needs if the recovery in demand turns out to be lasting. At present, the high level of share prices should make it easy for most reasonably healthy companies to raise finance through a rights issue.

The image of British industry as "leaner and fitter" is at once a cliché and a caricature. In many cases, as the Government's opponents have pointed out, the leanness is more anorexic than athletic. The country's manufacturing base has shrunk considerably. Yet the shrinkage has not been indiscriminate — it is the weakest units that have been eliminated. With a bit of luck, those that are left should now be able to justify their survival.

Martin Taylor

Banks under fire over loan conditions to firms

"I remember once seeing a cartoon of a banker drawn as a vulture feeding on the dead bodies of his customers. How absurd — it could never be true of us," Mr John Quinton, senior general manager of Barclays Bank, May 1982.

WITH the UK economy gripped in the worst recession since the 1930s, the banks have again come under fire for not doing enough to support companies through it and there have inevitably been suggestions that banks have been "pulling the rug" from underneath companies at too early a stage.

The unhappy saga of Laker Airways, Stone Platt and other companies that have run into problems over the past year or two have given the banks' critics plenty of ammunition. Should the banks have attached stricter conditions to their loans at a much earlier stage, which might have prevented the victims over-stretching themselves? Could the banks not have waited longer before calling in the receiver?

These are the thorny questions that bankers are now facing.

Mr Leslie Pincott, the chairman of Stone Platt Industries, summed up many industrialists' private feelings after seeing the company he had worked so hard at turning round, put into receivership, in a letter to the Financial Times.

'Deep sadness'

"The whole management of Stone-Platt is left with a deep feeling of sadness and injustice that the system could operate in the way it has. There must be a better way. Whereas the banks have every right to protect the security of their loans, I believe there is also an equal duty of all concerned to see that the rights of suppliers, employees and shareholders are protected if at all possible."

Midland Bank, which called in the receiver, is sensitive to these accusations and at the bank's annual general meeting earlier this month the chairman, Sir Donald Barron put the bank's case.

"In circumstances where companies are in difficulty one has to decide whether a moment has come when one is unjustifiedly jeopardising shareholders' funds in seeking to bolster up a business which in our view was failing. That was the situation with Stone Platt.

"Naturally, Mr Pincott did not agree. Neither did the institutional investors. They saw the thing differently. But one does not necessarily take the same view of things when one's interests are to some extent divergent."

The banks face a dilemma. They want to stress their identity of interest with the community at large yet they are pilloried for cutting companies out of business and people out of work. Mr John Quinton, of Barclays, says the banks have been fighting for months, even years, to keep *thousands of companies going* through the worst recession for 50 years.

But still the suspicion lingers that banks could do more, especially at a time when they are making record profits.

The banks' personal lending business is booming. They are also making major advances in the home loan market. But their industrial lending stagnates and plenty of people still believe that they are failing British industry.

The Wilson Committee concluded that few if any worthwhile undertakings have been denied adequate short-, medium or long-term finance; but concern that this was not the case was vocal enough to mobilise an investigation by a study group of the Conservative Parliamentary backbench Industry Committee.

Change needed

The study group, which was charged with examining "the terms and conditions of bank lending in Britain and its relationship to industry in general," reported last October.

The report concluded that what was needed was a fundamental change in the tenor on which medium to long-term industrial investment funds are made available in order to provide the stimulus to help to create the confidence necessary for an investment-led recovery. The group advocated a 50 per cent scheme to halve the interest rate cost on new industrial projects.

The group concluded that the high level of interest rates, rather than any lack of access to finance, was the problem. It therefore proposed that interest rates for certain projects should be paid net of corporation tax and that the banks should collect the balance from the Treasury.

While variants on the concept of "tax-spared" lending, which was encompassed in the proposal, had been discussed before, the idea received backing to the extent that it was seriously investigated by the present Government.

After several months of national debate, Sir Geoffrey Howe, Chancellor of the Exchequer, dismissed the idea in his Spring budget. "The selectivity in the remedies proposed would favour lending by the banks, and lending to 'tax-exhausted' companies," he said.

"We have considered these ideas very carefully. But they raise difficult questions of principle, and we are not persuaded that they offer the best solutions to the problems they are designed to solve."

The banks breathed a sigh of relief but they are conscious that they are under scrutiny, especially since so many of their clients are in difficulty. The pressure is on the banks to perform. The issue of whether they are doing enough to help their industrial customers is not likely to go away.

As a result, the banks have been going on the attack in terms of improving their public image with industry. Last July, the Committee of London Clearing Bankers (CLCB), issued a paper entitled: "The Banks and Industry: Some Recent Developments."

For the first time the banks revealed *the split of lending* between overdraft and term lending and revealed that the proportion of industry's borrowing needs met by the banks has more than doubled since 1977 to 37 per cent.

Between 1976 and 1980 the banks showed that their term lending had nearly doubled to £8.6bn, while short-term overdraft lending was up by only some £3.7bn to £10bn. The CLCB paper also stressed that the banks had expanded the maximum term of their lending.

Two of the banks had formal schemes which provided finance for up to 20 years and although the facilities provided by other banks are normally for periods up to 10 years, all the clearing banks adopt a flexible approach.

The paper also went into detail about the clearing banks' new schemes for providing equity finance, export finance and special lending schemes for such *sectors as farming*.

The banks denied that they were too conservative in lending to highly-geared companies, a popular complaint. They also replied to the criticism that they are much tougher in terms of their security requirements than lenders such as the U.S. banks, which have been making rapid inroads into the UK corporate sector.

Clearers more liberal

"There has been a marked tendency for the clearing banks to become more liberal, particularly where the borrowing company can present a well-argued case in its application for finance. The provision of information and forecast obviously increases the amount that a bank can prudently lend without taking security," the banks say.

The banks concluded that "over the past three years industry and trade have had to rely increasingly on the clearing banks, and the banks believe that the record shows they have responded to the challenge."

But a few months later the influential "Hundred Group" of Chartered Accountants returned to the attack, arguing that competition in lending was not fierce enough at a time of high interest rates.

Mr Stuart Graham, chairman of the CLCB's chief executive officers' committee, described the accountants' claims as "inconsistent and unjustified," but the attacks continue. Last March the CLCB replied to its critics with another paper, "Bank Lending and Industrial Investment," which claimed that much of the recent criticism of bank lending practices is based on evidence that is out-of-date, misunderstood or simply wrong.

The critics' main thesis is that UK banks have lent, by international standards, too little to industry and that this is explained by their unwillingness to accept gearing levels as high as those abroad or to lend for maturities as long as their counterparts in other countries. The banks replied that these arguments were "gravely flawed."

Nonetheless, the banks have not been totally immune to some of the points raised. For a start, they are issuing more (but nowhere near enough) material on the structure of their lending. More importantly, they have been introducing new lending facilities to suit industry and reorganising their operations to meet more effectively the needs of their corporate customers.

While not admitting the validity of their critics' main arguments, many senior bankers say privately that their services to industry have been improved substantially over the last few years. Barclays and Lloyds, for example, have followed the example of Midland and National Westminster in setting up corporate banking divisions to meet the specialised needs of their major clients.

They have also delegated more lending authority down the line. Meanwhile, both NatWest, through County Bank, and Barclays, through Barclays Merchant Bank, have been developing active merchant banking organisations. These are beginning to make substantial progress in serving the needs of the medium-sized companies, which are sometimes neglected by the accepting houses.

It is probably in respect of small businesses that the banks have been most active. After initial scepticism, they have participated enthusiastically in the Government's Small Firms Loan Guarantee Scheme. "Who wouldn't when you have a Government guarantee if anything goes wrong?" is the view of many senior bankers.

Nearly £100m has been lent since the scheme was launched last June and applications are now running at some 600 per month — twice the expected number. The banks are still reluctant to admit that the scheme is a success and point out that they have always been big lenders to small businesses and that some of the latest loans are turning sour.

Mr Quinton says that Barclays is lending over £500m a year of new loans to small businesses and has been doing as much as that in real terms for several years. Similarly, NatWest recently celebrated the signing of its 50,000th loan under its Business Development Loan Scheme. Its lending under this scheme rose by almost 50 per cent last year.

In their enthusiasm to jump on to the small companies bandwagon the banks may in some cases be erring on the side of laxity in their credit assessments of some of the small businesses asking for loans. This could lead to problems in the years ahead. Even so the sums are small in relation to some of the bank's large corporate "problem children."

William Hall

John Quinton of Barclays . . . "it could never be true of us"

Leslie Pincott of Stone Platt . . . "there must be a better way"

CORPORATE FINANCE IV

When the going gets rough bankers can be tough

"CREDITORS are a superstitious set, great observers of set days and times," wrote a wry Benjamin Franklin two centuries ago — and a long time before anyone had ever heard of a syndicated bank credit with a multi-currency roll-over facility.

New style bank creditors have innumerably more set days and times to observe, but they can be just as superstitious as any of Mr Franklin's small town moneylenders in the colonies. When a big company in trouble is looking to its bankers for a bit of cold-blooded modern pragmatism, the going can be very tough.

Some of the company's bankers will have security against their loans, others will not. Some will have a long-standing relationship and a reasonable understanding of the company's problems, others will have neither. Some will be sympathetic and familiar with the company's domestic setting, others will see their loans as a marginal overseas asset picked up by some over-competitive pricing and probably best written off.

In such circumstances—and it is now far from uncommon to see UK companies with 30 or 40 banks involved in their affairs —it is almost surprising that Laker Airways and Stone-Platt Industries head so short a list of celebrated collapses over the past year.

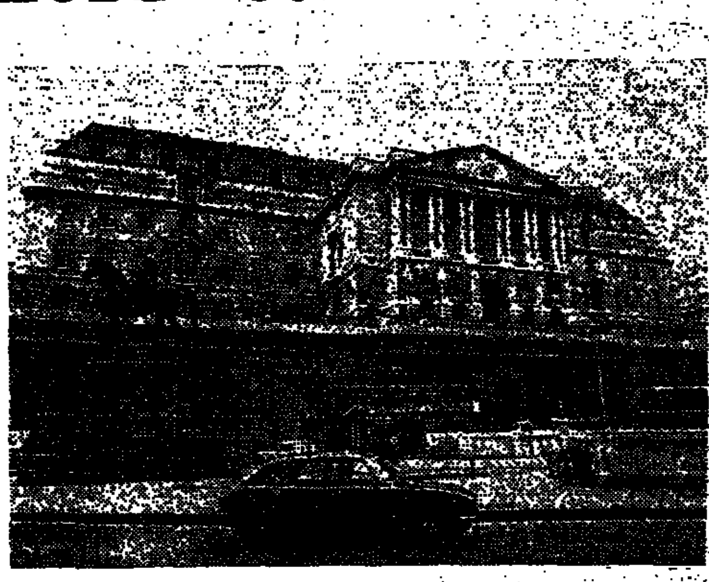
Debt schedules

The difficulties of renegotiating a complex debt schedule might have been expected to sink half-a-dozen major companies where cash flow has been inadequate during the recession to service existing debt.

Instead, companies have been rescued — for the time being, at least—by the adoption in many cases of an intensive care approach by clearing and merchant bankers and their retinue of external accountants. Presiding over this whole development has been the Bank of England.

From its eight provincial branches as well as Threadneedle Street, the Bank of England keeps up informal contacts with many British companies. Since the onset of the present recession, the Bank has found itself being approached by a growing number of banks —and occasionally by the companies themselves—in search of assistance over some particular problem.

It is really only since 1979 that the Bank has begun to get involved in talks affecting the whole future of ailing companies. It responded to an evident need in many cases for somebody to mediate authoritatively between the companies



Since the start of the current recession the Bank of England has been approached by an increasing number of banks, and occasionally by the banks' corporate customers, in search of assistance with particular financial problems.

concerned and their bankers. The need has typically been most urgent where a multiplicity of banks and unsecured debts has threatened a precipitous rush for the exit door marked "liquidation."

The Bank says that its main objective in intervening is not the preservation of companies with a key strategic role in the economy, nor even of those posing a sizeable unemployment threat. Rather, the Bank is concerned to select those companies in trouble where more time and consideration might help save a business which is fundamentally viable whatever its immediate financial difficulties.

To this end, an Industrial Finance division with a staff of about 15 has grown up over the past couple of years. It has looked at the affairs of over 30 companies. Where advice or assistance is sought, the division's first aim is to establish the facts of the case. Then it will try to expedite receivership as painlessly as possible where this appears appropriate—or it will lend its weight to efforts to restructure the threatened company and help it along the road to recovery.

This can be a long and winding road. It offers no guarantee that those embarked upon it will not meet with disaster round some sharp bend or other —as the examples of Laker Airways and Stone-Platt Industries have illustrated.

Both companies had been the subject of intense discussion at the Bank of England for many months prior to their collapse. Last minute third party rescue attempts in Laker's case and a sharp divergence of views among the discussion parties in Stone-Platt's case appeared to distract public attention from this fact when the companies collapsed into receivership earlier this year. This perhaps helps explain one current view at the time that only a few weeks grace might have staved off the fatal blow.

It is not a view calculated to improve the public image of the clearing banks. The Midland Bank in particular was bitterly criticised in many quarters for its appointment of a receiver to each of the two companies.

Such criticism seems unlikely to make much of an impression on the system, though it is just conceivable that one or two currently beleaguered companies could be hoping to benefit marginally from the banks' distaste for such adverse publicity.

Legal critics

As for the banks themselves, sticks and stones may break their bones while names will never hurt them. It happens, though, that the present recession has handed a stick or two to probably the clearing banks' most powerful critic: the legal establishment.

By raising questions about present banking practice, the recession may give some added political momentum to the Cork Committee's Report on Insolvency Law, now submitted and awaiting publication in June. In particular, the plight of many failed companies' unsecured creditors could lend force to the lawyers' criticism of the system of floating charges.

A floating charge allows a bank to attach security for, say, a £1m loan against all and any of a company's assets to the value of £1m. In receivership or liquidation, that charge is given priority over all unsecured creditors who typically include the company's small trading partners.

A working party o the Senate and the Law Society, in its evidence to the Cori Committee, has made clear tle view of the legal profession tat the resulting exclusion of all unsecured creditors' claims on a failed company wher assets can only match all or part of the secured claims, i simply not acceptable.

The lawyers want o see the law changed to give insecured creditors a guaranteed percentage—perhaps 10 pe cent—of whatever assets can be realised in such a situation. he leading barrister in the field said recently that he thought it an amendment which would appear perfectly reasonable to all sensible bankers i the City.

If so, there are precious few sensible bankers to be found there. The clearers in particular see little merit i the change. They voice hree strong objections:

- Firstly, they ay, the banker is probably lucky to make a 1 per cent return on his money. The trade creditor's margin might typically be 30 per cent—and he must expect a higher risk factor to match.
- Secondly, risk is knowingly undertaken. Or to put it another way, say the clearers, a company going into receivership irtually never takes its trade ceditors by surprise.
- Thirdly, changing th system is simply impractica "The bankers are the ones who have to put their money—nd their individual reputations too—on the line trying to find solution to a company's impase," says Mr Stan Karslake, wo heads the team which moitors the affairs of troubled cutomers at Barclays Bank. "If you start chipping away at ie debenture's power to tablish a floating charge, bkers will just take another lk at their evaluation of the lebenture's worth."

Those who are pinoting important changes inte law hope this kind of oppotion can be defused by offeri: the banks greater protectic for their floating charges against the claims of prefered creditors. These represent e interests of the State, most table the Inland Revenue, a at present take priority ovall other creditors, whether cured or unsecured. The bkers, in other words, might boffered on the swings what the would lose on the roundabou

The word ishat agreement between the lyyers and the bankers even ithin the Cork Committee inwed a good deal of horse-tradin If it ever comes to legislation here could be enough wraning to warrant yet another kd of intermediation by the Bk of England.

D. Capbell-Smith

Competition for top custoners likely to become fiercer

EVERY SO OFTEN, the outside world draws back the curtains surrounding the parlours of the City's leading merchant banks an inch or two for a glimpse at the world of high finance. De-nationalisation, or privatisation, is a case in point and a topic which has been heavily tinged with controversy.

Quite enough has been written about the Amersham International flotation and more than enough gratuitous, after-the-event, advice offered. Nobody can be unaware that Michael Richardson and his deputy John Gillum are running corporate affairs at N. M. Rothschild. Suffice to say, too, that the Britoil float will be watched from all sides with particular attention as will, over the longer term, the privatisation of British Airways.

But this is all very high-profile stuff; one of the central themes of merchant banking these days seems to be the development of smaller clients on the principle of tiny acorns and giant oaks, and so on. The reasons appear to be twofold: small companies are in vogue—the Government says so—and new routes have been opened to channel them to full listing.

Second, competition for the prestige customers is tightening and may become fiercer. "What happens," asks one senior corporate finance man with a shiver, "when a company like ICI asks us to tender for underwriting fees before its next rights issue? It must happen."

The search for budding small companies has pushed senior corporate finance teams out on the stump for new business. The quest for another BTR or Hanson Trust at their fledgling stages concerns merchant banks of all sizes.

Comparative newcomers to the merchant banking sector must obviously be involved in the small company area if they are to build their client lists. The team at Lloyds Bank International's Corporate Advisory Division is claiming some success in this field and says that its list will be shown to have grown enormously by the time the new edition of Crawford's invaluable Directory of City Connections is published.

Big banks, such as Hill Samuel, are also involved. Notwithstanding a client list which is arguably longer than any competitor, the bank set up its own Small Development Capital Fund at the beginning of last month in the belief that this is the surest way of uncovering the offer for sale candidates five years hence.

The Unlisted Securities Market is stimulating increasing interest within the big houses. Their views are by no means uniform. Tom Manners of Lazards, chairman of the Issuing Houses Association, believes that the cost of employing a leading merchant bank and, in turn, top lawyers and accountants, would swamp the profits of a company best suited to a USM launch.

Others are not so sure that they cannot, as another merchant banker puts it, "persuade the accountants to operate on a slightly less luxurious basis."

Overseas mergers

Bankers are also out on the stump well beyond the confines of the domestic market. The U.S., Australia and the Far East are favourite areas for cold canvassing.

One of the spin-offs here is the work that the mergers and acquisitions (m and a) teams can arrange. Much has been written about the spectacular deals put together by the m and a departments of U.S. houses and their very slender hit ratios have possibly been overlooked.

London banks are obviously conscious of the benefits of initiating deals, not least because it offers them a legitimate entrée to competitors' clients. But it seems probable that the bid by Redland for Cawoods, arranged by Barings, will be an exceptional, one-off, example of the m and a art in the UK. Britain's commercial and industrial base is arguably so small and concentrated in relative terms as to allow most companies themselves an insight into what expansionary opportunities are available.

Overseas markets are another matter although for fairly clear reasons, London banks are unlikely to play much of a part in the "mega-buck" deals in, say, the U.S. and it is difficult to see anything other than an indigenous house playing a successful role in contested bids.

The regulatory framework for UK bids is tightening and causing not a little debate among those who must abide and stay within its confines. Dawn raids and the Council for the Securities' Industry's attempts to control their use lie at the heart of the debate.

Most merchant bankers now appear to have put aside their qualms and concede that the changes made last month to the Takeover Code and the Substantial Acquisition Rules are satisfactory enough. It must be pointed out that the new rules were drafted only after very close consultation with the market's leading operators but they remain, at best, an awkward orphan which obliges even the most seasoned takeover practitioners to scrutinise the rule book before every step.

For all that, merger activity has been high with the value of all deals transacted in the first quarter of the year at £522m greater than in any quarter of 1981.

The rights issue market has been tolerably active, too. Even without the huge slug of new BP money raised last year, 1981 was markedly busier than its predecessor although it remains to be seen whether this year can top £1.2bn (excluding BP). The running total this year at the time of writing was about £325m.

With the two major strands of domestic corporate advice at good levels of activity, merchant banks have every reason to feel reasonably confident. They appreciate, however, the strength c competition which, if the glmier prognoses are correct, mt impinge on the fee structure.

Here, o, bankers are conscious of sing costs.

"It cos me £43 per sq ft to run this fice" one banker says ruefully, "ad the real level of fees hs declined in the last 10 years"

Given hat fees for corporate work ar ulimately dependent on the eve of equity prices, merchar bankers may have cause tofre although their discomfort wold probably invoke as muc pulic sympathy as the plight of the farming community

Boidmarket

Of cours one vital ingredient of corpore finance has been missing er the decade—the domesic ond market. Bankers are conient that the corporate bond maket can reopen this year er ext and feel that such issues, the outset at least, can be itched attractively at fine margins over the relevant gilt-edge stock.

The enchmark seems to be a coup of about 12 per cent which, erchant bankers generally fe would tempt corporate treasurs into long-term funding. Itmust be said though that the baks were expressing such hoyesor a revival of the bondmark in the spring of 1981.

Ho, it seems, springs etern but it is to the credit of Lndon's merchant banking sect that over the years it has lled an important gap in its ee-earning armoury without undue strain. But the competive forces which have been sd a feature of the last five yes are expected to increase an perhaps even knock out soe of the corporate "ayers" over the next decade.

Delicate footwork will be reqired but then merchant bankig is nothing if it is not risk, contacts, innovation and perhps even personalities.

Ray Maughan

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CORPORATE FINANCE V

Three leading finance directors discuss the problems of coping with the recession.

Tom Neville

John Clemes

Roy Thomas

Vickers looks to recovery in U.S.

TOM NEVILLE at Vickers has faced the full force of the recession in the engineering and motor industries. "For three or four years we have been battening down the hatches in all our businesses," he remarks. "We are *still pursuing* the same course."

In publishing its annual report at the beginning of this month Vickers indicated that demand has continued to be patchy. "More than anything else we would like to see the U.S. economy showing a recovery," says Mr Neville.

What is his main task in *these circumstances?* "*To ensure* that the units we have operating are generating sufficient cash. It is very difficult in the present climate—cash is even more important than profit."

Rights issue

However, Vickers has just raised £24m from its shareholders through a rights issue. Mr Neville has respect for the City of London. He says: "In our experience when we've wanted to raise *funds* we've always been able to do it."

The City, he adds, is highly competitive. "There are times perhaps when underwriting isn't necessary—but there are times when it is."

He considers that the interest rates charged by the banks are fair, given that the banks have to operate in the market. Vickers has good relations with its bankers. "We operate a policy of total disclosure with our banks," an approach that helps the banks to understand the group's point of view.

The banks get quarterly and half-yearly financial statements, as well as details of strategy and plans. "They have been very helpful."

This is not to say he is *happy with the* cost of money. "*We really would like to see* interest rates come down the world over," he says, mentioning countries such as France and Mexico where Vickers has operations. "But we have to learn to live with interest rates and with foreign exchange fluctuations."

Outside Vickers, Tom Neville has just picked up a new responsibility—he has become chairman of the subcommittee of the Accounting Standards Committee which has been given the job of monitoring current cost accounting.

On CCA, he considers that "inflation is the problem, not accounting." He points out: "Current cost accounting isn't going to determine the *price you are going to get* for your product. But it can answer the question of how much of your profits you are going to distribute. I am in favour of a CCA profit and loss account so that companies do not distribute too much of their earnings."

Barry Riley

Beer sales prospects cheer Allied

JOHN CLEMES of Allied-Lyons is current chairman of the 100 Group of leading finance directors. He has been closely concerned in his 100 Group role with the publication of papers on the *implications* of high interest rates and on the finance of nationalised industries, and recently has been involved with discussions on matters like the composition of the Accounting Standards Committee.

At Allied-Lyons Mr Clemes has played a key role in absorbing the ailing and debt-burdened J. Lyons food group into Allied's beer, wines and spirits business, an acquisition which took place in 1978.

Like many other businesses, Allied-Lyons has had to cut back in the recession—it closed *down the Ansells brewery* in the Midlands last year, for instance. Even now demand is no better than mixed but Mr Clemes is moderately optimistic about beer sales.

"There is every sign of the market bottoming out," he says. "*Beer will show quite well* if we have a reasonable summer." So far Allied is manging to maintain its level of capital spending. "We believe that our particular end of the consumer *world* will not suffer as much as some."

Allied retains a substantial legacy of debt from Lyons, with group borrowings of the order of £400m last September. This has made the group vulnerable to high interest rates—dollar as well as sterling, because a significant proportion of the group's debt is managed in New York, to *match the sizeable* U.S. food interests which include the Baskin-Robbins ice cream business.

"Interest rates have been a great dampener on performance in a lot of areas," says John Clemes. "Managing debt is a continuous task. It's a daily job for our treasury department."

On the other hand the Bank of England's new regime has *allowed Allied* to use the bill market extensively at the short end. This has trimmed the cost of borrowing by about a percentage point compared with debt on which interest is linked to interbank rate.

Mr Clemes is now less critical of the big British banks than at the time of the 100 Group report which came out last September. "I think the clearing banks have been improving," he says. "There is a clear willingness to experiment and to compete."

He discloses that in the past year Allied Lyons has been *putting quite a lot of effort into* improving its relations with its big shareholders, many of whom were publicly unhappy at the time of the Lyons takeover. "It is clearly undesirable to have misunderstandings with the major institutions," he says.

B. R.

Fisons finds interest rates too high

ROY THOMAS of Fisons feels very strongly about the level of interest rates. "They are ludicrously high," he says. "The Government could have done quite a lot to bring them down."

He suggests that the high cost of money is having a major effect on investment. "When you are having to pay up to 21 per cent for money the sort of investment that is going to yield appreciably more than that is simply not available in the UK."

Mr Thomas adds that Fisons can find very few immediate projects that will yield a required 25-30 per cent rate of return. This can only be achieved on long-term projects in areas like pharmaceuticals—and then at a very high risk.

He is also concerned at the attitude of institutional shareholders. Whereas the senior people in institutions like the Prudential talk constructively about long-term commitments, the junior person, *he suggests*, is judged on a short-term basis.

"When it comes to the crunch, I don't know whether the day-to-day investment manager is going to be prepared to take a long-term view."

The institutions now hold two-thirds of Fisons' share whereas five years ago the proportion was only half. This has coincided with increasing instability of share price. "We are a much more volatile share than we were a few years ago," says Mr Thomas. The shock abandonment of the anti-allergy drug Proxicromil and the recent sale of the loss-making fertiliser business have had a major *impact*—down and up respectively—on the share price.

U.S. tolerance

Last year's dividend cut has *scarcely helped*. Mr Thomas criticises the UK institutions' thirst for immediate income. "In the U.S. they take a much more tolerant attitude to distribution policy," he points out.

"As long as the company demonstrates success in research, U.S. investors are happy to accept a low dividend. A company like ours in the U.S. has a much better chance of building up its reserves."

Roy Thomas is happy about his relationship with the banks, however. "I don't see why the Inland Revenue gets so upset about the banks," he says. "They need profits in their good years in order to build up reserves for the poor years." He believes that the ability of the banks to build up their resources can be good for industry as it enables the banks to "steady the ship" when times are bad.

He is basically in favour of current cost accounting—especially in its potential use in making management decisions. But he has reservations, on the *grounds that not enough is yet* known about the effects of CCA. At present, he suggests, a CCA statement is "nothing more than an interesting memorandum."

B. R.

Liquidity management the key to corporate treasurer's job

IN THE good old days, when interest rates didn't gyrate and exchange rates didn't dance, corporate treasurers seemed an unnecessary American invention. Today the post has gained new respect *among* UK corporations, with the result that the ranks of the British corporate treasurers are swelling.

The exact definition of a corporate treasurer's job has yet to be tacked down. In the broadest terms, however, the treasurer links his company to the banking system. His task is to supervise all banking relationships and bank-related services, all foreign exchange transactions and all liquidity management.

The early resistance to establishing the post of treasurer has been increasingly overcome because more companies have found that the treasurer's office can be a profit centre, not a further drain on costs. For example, foreign exchange management was conventionally handled by a company's bank. Now, when a small move in the dollar can wreak havoc on a company's profits, UK companies have found it necessary to have a currency expert *within* their own corridors.

Early in 1979, the Association of Corporate Treasurers was founded with an initial membership of 300. Today the members number 700 and the association is actively engaged in further defining the role of a corporate treasurer and establishing the post as a distinct profession on its own.

Mr Daniel Hodson, a former corporate treasurer and now finance director of Unigate, says the skills of the trade are developing quickly in Britain. He maintains that the management of foreign exchange is the most crucial area to be developed.

"This is where big profit and losses can be made, much more so than borrowing," says Mr Hodson, who is a member of the ACT Council.

Laker's lesson

The collapse of Laker Airways was a good lesson on the need to match borrowings in currencies, but many other companies in less dire straits have call to study foreign currency exposure more closely.

Another area for the treasurer to attack is bank charges. Unigate, for example, estimates its bank charges total seven figures. "The costs are staggering and not getting any cheaper," says Mr Hodson. The treasurer, he says, can best negotiate these charges and try to contain costs.

Investment appraisal is also part of many treasurers' jobs. In many large companies, any project over the £250,000 level is referred to the treasurer for approval, thereby bringing the job into the financial management category.

The Association of Corporate Treasurers reckons that no company is too small to have a treasurer if it has any overseas business. If it is a purely domestic company, the association reckons that it can save money by appointing a treasurer if yearly turnover is more than £60m.

At the moment, members are admitted to ACT by oral exam and experience in the profession. It is presently preparing a syllabus, in connection with the Manchester Business School, for school-leavers anxious to study for the trade. The qualifications will require five years of study and work experience.

The association is planning to begin holding written exams next year and aims to earn a Royal Charter for the profession.

Carla Rapoport

The financial collapse of Laker Airways earlier this year provided a useful lesson on the need to match foreign borrowings in the appropriate currencies

Use of risk measures for calculating the cost of company's capital

AN IMPORTANT advance in corporate finance is the use of risk measures for calculating the cost of capital for companies, divisions and capital projects. An understanding of this area is of crucial importance to financial managers and corporate planners. This article explains how to calculate required *rates of return* using the modern approach to the cost of capital.

Many finance directors are unhappy with traditional methods for estimating the cost of equity capital. What are the problems which concern them?

A number of firms view the required return on equity as being the immediate cash costs incurred in servicing an issue of shares. They believe that the cost of equity is therefore the prospective dividend yield. This is incorrect, since shareholders generally hold equities in anticipation of some growth in dividends or of a capital gain on their shares. Thus the dividend yield generally understates the cost of equity capital.

Earnings yield

Some companies argue instead that the true cost is the earnings yield. For example, a company whose earnings are capitalised at a price/earnings ratio of 6 would have to sell a larger proportion of its current earnings to raise the same sum as a similar company standing on a ratio of 8. Consequently, it is claimed, the company is paying more for its funds. This argument ignores the earnings growth which is expected of a share with a high price/earnings ratio. It suggests that firms with depressed earnings (or even losses) have the lowest costs of capital.

Performance targets are often set for divisions of companies. It is common for investments to be required to return more than the division's current book return on investment, or more than the company's (or industry's) return on capital employed. This method places quite unwarranted reliance on the validity of historic accounting data such as book values and past profit figures. More seriously, this approach, taken literally, would lead to under-investment in successful companies, and over-investment in the most inefficient sectors.

Some firms do not visualise raising new equity in the near future, and plan to meet their financing needs through borrowing. The cost of extra finance to them is the interest payments they will have to make. Tempting as it may sound, this does not mean the required return is the interest rate. If the project loses money, it will be first and foremost the shareholders who will suffer. So, the project should be required to earn an equity risk premium, over and above the interest rate.

Finally, some companies estimate their cost of equity as the expected dividend yield plus the expected annual growth rate in dividends. While this is not inconsistent with the modern approach, it suffers from the practical drawback of requiring subjective forecasts of dividend growth. And at best, this method provides only an overall company cost of capital figure, thus diverting attention from the important question of differences in risk between projects.

All of these methods can lead to biased estimates of the cost of equity, so it is no surprise that an increasing number of companies are dissatisfied with these traditional approaches.

It is therefore apparent that many of the traditional approaches which companies use to calculate the cost of equity suffer from worrying drawbacks. In this article, we describe the modern approach using risk-adjusted required rates of return.

Even if a share were risk-free, shareholders would still want a return of at least the interest rate. For an average risk investment, however, they will want the prospect of earning a risk premium over and above the interest rate. Over the last 60 years, equities have turned in 9 per cent per annum more than short term gilts, gross of personal tax.

In the modern approach to required rates of return, we also take account of the different levels of market risk of shares. Market risk is measured by *beta*, the sensitivity of a share to overall market movements. *Betas are published* for all UK shares listed on the Stock Exchange.

Once we know the beta of the share in question, calculating the shareholders' required rate of return is quite straightforward. The cost of equity is simply equal to the risk-free interest rate plus a premium for risk. The latter is equal to the share's beta multiplied by the expected premium for an investment of average risk.

ICI, for example, is an average risk share with a beta of 1.0. So the shareholders' required return is simply the current short-term interest rate, taken as 13 per cent, plus the 9 per cent risk premium. This gives an overall figure of 22 per cent.

However, for Rank Hovis McDougall which has a low beta of only 0.66, the required return is $13+0.66\times9 = 19$ per cent. For George Wimpey on the other hand the beta is 1.44, which gives a figure of $13+1.44\times9 = 26$ per cent.

In appraising a project, it is important to recognise that different projects have different risks (betas) and hence different required rates of return. While we can use published risk measures to find the beta of companies and industries, there is, of course, no equivalent source of project betas. Nevertheless, when estimating project betas, it is useful to start from published figures—for example . . . these tell us the beta of a "typical" risk project for that company or sector.

We then need to decide how the project in question differs from this norm. For example, projects which have a high proportion of fixed costs or which are particularly sensitive to general economic conditions, will generally have above average betas. Cost-saving exercises and preventive maintenance programmes, on the other hand, tend to have lower betas. Ultimately, however, the manager has to make subjective judgments about the risk of a project. But even then, the judgment must be about the relevant dimension of risk—the market risk, or beta of the project, and not about its specific risk.

Risky projects

The modern approach has four arguments in its favour. First, it ensures that risky projects have a required return which exceeds the riskless rate of interest. Second, it recognises that riskier projects merit higher required rates of return. Third, it distinguishes between market risk (beta) which warrants a higher return, and unrewarded (or specific) risk which can be eliminated through diversification. Fourth, it places less reliance than other approaches on totally subjective inputs.

The use of risk-adjusted required rates is still relatively new in the UK. However, change is now starting to take place. Few of today's managers can ignore the increasingly competitive climate in which they operate. In an age of inflation and uncertainty, there is a growing awareness of the importance of careful resource allocation and improved investment decisions. At the same time, comprehensive sources of risk measures have now become available so that the new approach can be made operational.

The new approach does, however, not turn investment appraisal into a science. Nor does it replace careful financial analysis with mechanical rules and standard formulae. The cost of capital is, after all, only one aspect of the investment appraisal process. In practice, the problems of project definition and cash flow forecasting are at least as important. These areas involve judgment; and good business judgment can never, and will never, be automated.

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Elroy Dimson and Paul Marsh

DIVERSIFICATION HAS ITS LIMITATIONS

IF PROJECTS were riskless, there would be no problem in identifying the required return. It would simply be the interest rate on riskfree investment—say, in short-term Government securities.

In practice, the majority of projects are far from riskless. Since most of us do not like risk, this implies that the required return on equity should be equal to the risk free interest rate plus a premium for risk. The size of this premium will depend on the extent of the risk, and on how shareholders as a group "price" each unit of risk in terms of the additional return required.

To determine the wholesale cost of meat, we look at Smithfield prices. Similarly, for information on copper prices we refer to the London Metal Exchange. So, by analogy, to learn about the price of risk and hence the cost of capital, we should look at the capital market. The most important market in which risk capital is traded is, of course, the Stock Exchange.

We therefore need to examine what risk means in the context of stock market investments.

Risk means that more things can happen than will happen. Thus when we invest in shares, the returns may be higher or lower than we expect. To reduce the variations in returns, most shareholders spread their risks by investing in a portfolio of shares. Through diversification, certain types of risk are eliminated, namely those related to company (or industry) specific factors.

There are, however, limitations to the power of diversification. When we finally hold every share in the All-Share Index, our portfolio will still be quite risky. So while diversification can eliminate specific risk, it cannot eliminate overall market risk.

We can thus think of any share's risk as having two components. The first is market risk. A share's market risk is measured by its beta or sensitivity to general stock market movements. For example, a share with a beta of 1.0 tends to move by 1 per cent for each 1 per cent move in the market while a share with a beta of 0.5 is less risky, so that its price tends to move by only 0.5 per cent.

The second element of a share's risk is its specific risk. Specific or non-market risk arises from all those events that are specific to the particular company in question, and have nothing to do with general market and economic factors.

This distinction is crucial to an understanding of required returns. Investors do not like risk, and need the prospect of higher returns before they will take it on. But no one needs to bear specific risk—it can be eliminated by diversification. Market risk, on the other hand, cannot be avoided by diversification—it is the fundamental risk of British industry which shareholders *as a group have to bear.*

'Buyout' deals an attractive lure for ambitious executives

THEY SAY it takes two to tango. In the past few years a fashion for deals in which executives buy a major share of the companies they run has emphasised that it can often take three or more to strike a bargain.

Working managers, who frequently want control of the business even when they can raise no more than a tenth of the price, have found ready allies in financial institutions which are willing to fork out most of the necessary money—in the form of debt and preference capital—while taking only a relatively small fraction of the equity.

"Management buyouts," as these institutionally geared transactions have come to be known, were for years carried on in small numbers and for fairly insignificant amounts of cash. ICFC, easily the leading force in the market, did only five such deals in 1976, and 20 in 1978.

The momentum which developed—almost doubling the number of deals every 12 months—has taken ICFC into something like 300 buyouts, 107 of them in the past year.

Since there are now about a dozen other "dealmakers" in the field the stream of buyouts may well be running at 250 a year, while the transactions are becoming ever larger.

A Financial Times survey last October listed a selection of 48 buyouts completed since the start of 1980 imobilising around £100m of institutional money. Many were quite small, such as £100,000 deals securing businesses in liquor wholesaling, computer maintenance and market research.

Privatisation of the National Freight Corporation—under a price tag of £53.5m—has since lifted UK buyouts on to a much higher financial plane, though without rivalling the U.S. where $150m deals are commonplace and some recent "leveraged" purchases have been twice as large again.

Other things being equal, the fact that a price can be struck shows that each party to a deal believes that there is something in it for him. The advantages of buyouts are quite different for, respectively, managers and vendors, and different again for funding institutions.

Managers get their independence, along with the increased rewards — and risks — of personal enterprise. Often enough their desire to buy the business is sharpened by the knowledge that it will otherwise be closed or shrunk.

In any event, since the managers will be stretching their personal finances to the limit in financing their equity stake in a business they have the keenest incentive to make it perform.

The typical vendor is a diversified industrial holding company. Many conglomerates which were enthusiastically stuck together in the 1970s have reached the point where — even when they are not forced into it by lack of liquidity — divestment is desirable simply on grounds of corporate simplicity.

Groups which sell off subsidiaries to their managers may just have decided that they no longer fit in with mainstream activities and should be helped on their way. Foseco's dowry to its reasonably profitable concrete engineering subsidiary CCL included a loan of £700,000 and payment of the separation costs.

New owners

At around £160,000, these were much the same as the equity subscribed by CCL's new managerial owners who, if they can establish a good enough profit record, will eventually own as much as 26.6 per cent of a business valued at £4m.

In another recent buyout, Pentos insisted that the sale of its £3.4m Halls greenhouse subsidiary was a reflection of current group philosophy. "Halls had reached a point where the concentration of independent management resources would best aid its future growth," said Mr Terry Maher, Pentos's chairman.

But he also conceded that the timing of the sale was influenced by the continuing efforts of Pentos to reduce its net borrowings, which — totalling £15m at the beginning of 1981 —had been in excess of group net worth.

Why buyouts rather than straight sales, demergers, or other competing devices? For a start, buyouts always bring in cash, giving them an advantage over any solution which involves the vendor in holding corporate paper.

In many cases, managers are willing to take over the business at terms which outsiders would find unacceptable; the basis of the transaction is that the managers are uniquely able to clean their own company up and make it go. Changes in company and financial legislation have certainly made the buyout option more accessible.

More than anything vendors — like the managerial buyers — have been responding to a previously untapped supply of institutional funds.

The institutional providers of capital — including the pension funds of nationalised industries, investment trusts, insurance companies and the clearing banks — are always on the look-out for fresh equity investments. Buyouts have given them a further and very welcome type of project to which they can commit their money.

Mr Jim Finlay, of Prudential Pensions, puts this in perspective: "It is just one type of development capital finance. Funds for buyouts come out of our general budget for unlisted financings; it is not as if there were a specific limit on the amount we invest this way."

Buyouts thus have to compete for funds with start-up projects, and the calculation is that, given a decent spread of buyout investments, the failure rate should be lower, the total return higher than in the financing of completely new businesses.

The performance of experienced well-balanced management teams, even if slightly spotted by the recession, is something to which investing institutions attach considerable value.

Institutions share the managers' own hope that a business, once bought out, can be made to perform better. But it is only in part a question of unleaching the spirit of enterprise. Small businesses can easily suffer, within large groups, from unfavourable transfer pricing or, if the parent company is greedy, from the obligation to remit cash. If these handicaps are removed the company may be transformed.

Because almost all buyouts are under two years old there can be no real evidence yet as to the viability of companies financed in this way. Encouragingly, ICFC has lost only 11 companies so far. Early results may be flattering; pre-independence stock write-downs and other manipulations of working capital can make for unrepeatably brilliant first year profits.

Mr Robert Smith, of ICFC, says: "The average gearing of these companies is more than five-to-one, which takes an awful lot of paying for." So there are bound to be casualties.

Even so, the concept and mechanics of the buyout are now well established and applications from managers are coming in faster than ever. Mr Roger Brooke, of Candover Investments, is optimistic: "The number of propositions is up sharply, the same percentage is interesting, and they are getting bigger."

'Cleaning house'

He finds that some very large groups are "cleaning house," so many more large-scale buyouts are likely.

With two powerful forces acting to restrict the long-run profitability of buyout financing —free availability of funds and an increasing tendency to finance barely viable projects—it looks as if some of the zing may have started to leak out of the market.

That, some of the experienced hands believe, may be no bad thing. Buyouts are likely to remain in the corporate finance armoury even when—some time soon—they go ex-vogue.

Jeremy Stone

Overseas subsidiaries can keep UK parents in profit

MANY UK companies have had good reason to be thankful for their foreign operations over the past three years. As the recession has cut a swathe through domestic earnings, the comparative success of overseas subsidiaries often has kept companies in profit overall and obviated the need for embarrassing dividend omissions. In cases of emergency, they have also provided tidy disposal proceeds to tide over the UK operations.

Very often, the most resilient performance has come from countries which were once coloured red on the map. During 1980, for example, Australia was providing UK companies with rich pickings. Until recently, South Africa was holding up well to the general slowing of growth rates in industrialised economies.

It has not been uncommon for UK companies to report very respectable consolidated earnings, but insufficient UK profits to cover the advance corporation tax on their dividends.

The thrust of international expansion has long swung away from the countries which once had colonial links with the UK. In some, such as India and Nigeria, the risks of acquisition have been enhanced by the pressure for local participation and, in some cases, control. In addition, companies face restrictions over the remittance of earnings.

Problem in Japan

Elsewhere, particularly in Japan, takeover activity can be made fruitless by the local corporate structure and the difficulty which foreign groups have in penetrating markets. In many developing countries, UK companies are able in good times to generate exceptionally high earnings. But the risks are very great.

Economies dependent overwhelmingly on commodity exports are highly cyclical and, in Brazil for example, hyper-inflation has played havoc with the local exchange rate and with the translation of earnings into sterling. On top of that, British companies often need to contend with sharp changes in political direction and unpalatable price controls.

Several major British groups, like Unilever, have learned through long experience to cope with these problems. Others, including Lonrho, have made them their speciality. But the general tendency has been for the corporate sector to avoid investment in high-risk areas.

During the mid-1970s, Western Europe was the scene of headlong expansion by British companies. But, in several sectors, they came badly unstuck. Acquisitions by food manufacturing and engineering companies have more often gone wrong than right, while the costs of withdrawal have been punitive thanks to employment legislation which is on average much tougher on the employer than that in the UK.

More than ever, British companies are turning to the U.S. for growth. The common language, high reporting standards and an abundance of potential targets have all reinforced the attractions of the world's largest market.

The final abandonment of exchange controls in 1979 extended the options open to a UK company in financing a U.S. acquisition and accelerated the momentum. But fears of nationalisation in Britain had already pushed the corporate sector to look across the Atlantic during the previous Labour administration.

Not that buying companies in the U.S. is a straightforward procedure. Several of the largest deals have succeeded only after expensive and time-consuming wrangles with lawyers and regulatory agencies. Imperial Group defended court actions in most states of the U.S. during its takeover of Howard Johnson while the U.S. acquisitions which the four major UK clearers have made in recent years have all been subject to extensive official scrutiny.

As an illustration of the difficulties, Consolidated Gold Fields delivered 80,000 documents weighing half a ton to the U.S. Federal Trade Commission to support its case for buying a minority stake in Newmont Mining last year.

The track record of companies which have successfully overcome the administrative hurdles has in general been good. The case of Mothercare, which made a large and unprofitable U.S. acquisition in 1976 is more the exception than the rule. It recently helped to push the company into the hands of Habitat.

Companies on the lookout for a U.S. acquisition often retain the services of a British or American investment bank. Among UK merchant banks, the leaders in the field are probably Morgan Grenfell and S. G. Warburg.

Since cutting its ties with Morgan Guaranty last year, Morgan Grenfell has been building up its New York investment banking operation. It currently employs five people in New York to handle mergers and acquisitions business, though the bigger deals are still arranged in London. Unlike most of its competitors, Werburg operates through an associate company, Warburg, Paribas, Becker.

The investment banks operate as clearing houses for acquisition ideas. According to Mr Roger Seelig, a director of Morgan Grenfell, the bank's role is to unearth potential targets and advise on the financial aspects of an acquisition. "I think the companies themselves are better placed to make the commercial decision," he says.

Morgan uses management consultants, lawyers and regional U.S. investment banks to assist in its task. Mr Seelig himself is a convinced optimist about the U.S. acquisition route. "If you're a competent British company, it would be thoroughly worthwhile to have a foothold in the world's biggest market."

Companies with a reputation for launching takeovers across the Atlantic often find that ideas are presented to them by the clients of companies looking for a parent or partner. Grand Metropolitan, which made its mark with the purchase of Liggett in 1980, was close to the top of Pan American's contact list when the airline sought to sell its Intercontinental Hotels subsidiary last year.

Hanson Trust is a UK company with extremely extensive recent experience of U.S acquisitions. Its finance director, Mr. Martin Taylor, says the group is inundated with suggestions, many of which are turned down on the basis of a telephone call. The company employs two people to search for potential acquisitions on a fulltime basis—one in the UK and one in the U.S. — though a much bigger team is mobilised once a deal is under way.

"We don't usually undertake industrial surveys," Mr Taylor says. "But we have a certain number of criteria that we apply. We go to America because we feel comfortable there."

Northern Foods is a UK company which has entered the U.S. market fairly recently and has gone about finding companies without much outside help. "Once it became known we were there, we were overwhelmed with ideas," says Mr Chris Haskins, a director of the company. "We haven't gone about it in a scientific way, partly because the fees are so enormous."

Northern has found progress in the U.S. harder to make than it had expected. Mr Haskins says the company underestimated the problems of litigation involved in most takeovers.

Scope in U.S.

But Northern is sticking to its strategy. "The opportunities are so much greater," Mr Haskins says. "At a guess, there are 40 times as many food companies quoted in the U.S. as there are in Britain."

Many companies prefer to buy private U.S. corporations, at least to begin with. This avoids the need to deal with the bureaucratic Securities and Exchange Commission, provides a greater chance of management continuity and often gives greater access to information than would be possible with a more regulated public company.

The problems of SEC regulation also deter UK companies from offering equity to buy public corporations. For private corporations, the same criteria do not necessarily apply, but almost all takeovers are made in cash.

UK companies will almost always fund their U.S. acquisition costs in dollars, to reduce the exchange rate risk. Very often the dollars are purchased on the forward market to reduce further the risk that the eventual acquisition price will be inflated by a rising dollar. This expedient saved Consolidated Gold Fields roughly £50m when it bought its holding in Newmont.

Funding in dollars also carries considerable fiscal advantages, since roughly half the interest payable can be offset against tax on U.S. profits. It is possible to gain a further benefit bq making use of what are called "double link" companies. Incorporated in Delaware as subsidiaries with their own equity base, they enable British groups to obtain relief against both UK and U.S. tax.

John Makinson

Corporation tax yield shows dramatic fall

CORPORATION TAX in the UK is a mess. It is an extremely complicated tax to administer, and its yield is falling dramatically. Excluding North Sea oil and gas, taxes on company income have fallen from about 13 per cent of total central government receipts in the late 1960s to about 5 per cent in the early 1980s.

Even this comparison understates the true decline, as Advance Corporation Tax—which is really a tax on individuals' income—represents a growing proportion of Corporation Tax receipts. The shortfall in mainstream Corporation Tax has had to be recouped by increases in revenue sources based on turnover, such as National Insurance contributions and Value Added Tax.

Real profits in the corporate sector have had a thin time during the 1970s, and this is a partial reason for the level of tax receipts. But it is by no means the whole story. The distortions caused by high inflation rates have been the root cause of more than one crisis where unjust tax demands threatened to create severe financial problems in the corporate sector. The resulting ad hoc changes to the system have made it inflexible and crude.

The authorities now find it difficult to collect taxes even where there are profits. As a result it has resorted more and more to special imposts. The oil industry in the North Sea has grown accustomed to almost annual changes in its tax regime regardless of whether a government of the Left or Right is in power. The latest sector to find itself on the receiving end of a special tax demand has been the clearing banks, in last year's budget.

A Green Paper on Corporation Tax—promised by the Government two years ago—finally emerged last January. It was a highly cautious, not to say conservative, document. It gave the impression that the Government was reluctant to introduce any full-scale reform to produce a more coherent system. And it does not mean that ad hoc measures to tinker with the present system will be abandoned.

Review planned

Only last month the Chancellor let the clearing banks know that a thorough review of the form and scale of bank taxation was planned. The reason for this is that the banks have become heavy lessors to avoid paying tax in recent years. At one stage it appeared that the authorities had accepted this method of distributing capital allowances round the corporate sector. Now that assumption looks considerably more questionable.

Companies should welcome a system of taxation that raises so little revenue from them, but there are a number of features that many find disquieting. Firstly, the present ad hoc adjustments allow roughly for the effects of inflation—but a change in circumstances could upset the delicate balance. Secondly, governments will be tempted more and more to resort to arbitrary imposts to catch profits wherever they arise in the economy.

Thirdly, the overall tax charge may be low, but it falls inequitably on some companies. Fourthly, widespread "tax exhaustion" has built up. The current overhang of tax losses is £30bn, and rising at the rate of £5bn a year. This means that some companies cannot take advantage of generous allowances. In particular, the payment of dividends often incurs a tax penalty.

Corporation Tax was first introduced as a separate tax in 1965 on the basis of the classical system, whereby company profits were taxed and shareholders were taxed separately on their dividends. This was heavily criticised because of the bias against paying dividends and the encouragement to excessive borrowing by companies. So the present partial imputation system was introduced in 1973, under which dividends carry a tax credit available to individual shareholders.

Complaints have built up in recent years, however, about the way in which the system has made UK earnings more attractive than overseas earnings—foreign taxes cannot be offset against Advance Corporation Tax. There have been several instances of companies with high overseas earnings taking over domestic concerns solely for this tax reason.

However, these criticisms pale into insignificance against the ravages caused by inflation. It is all very well to tax nominal historic costs profits at a 52 per cent rate in a non-inflationary climate, but when inflation is running at between 10 and 30 per cent, much of the historic cost profit is illusory.

Over the years the authorities have reacted to this problem by making a series of ad hoc adjustments to reduce tax bills. In the process they have shifted the tax base a long way from reported pre-tax profits. The two most important adjustments have been capital allowances and stock relief.

Notionally, capital allowances are intended as an incentive for capital investment. Any concern which spends money on a piece of capital equipment can set the full amount against its income for tax purposes, even though the depreciation for a single year charged in the commercial accounts would be only a fraction. In practice, the availability of 100 per cent first year capital allowances has been used not just as an investment incentive but also as a rough and ready adjustment for inflation. When prices are rising, historical cost depreciation is inadequate to finance the replacement of assets.

Leasing industry

Such allowances are useless for tax exhausted companies, so a highly sophisticated leasing industry has developed in the last decade to transfer — through the appropriate rates — unused allowances by concerns such as banks to heavy investors such as manufacturers. Growth in leasing was extremely rapid in the five years to 1979; since then it has slowed down and in 1981 there was a decline in volume terms in the UK. It appears that leasing has reached maturity, with the implication that banks will find it harder to shelter their profits from taxation through this route in future.

The second adjuster, "stock relief," has had a far less easy ride. It was announced in almost panic in 1974, when the company sector was going through a liquidity crisis and was facing huge tax bills on inflationary stock profits. The "temporary" stock relief allowed companies to subtract from their taxable profits the bulk of the difference between opening and closing stocks in a year. This system was a key reason for the dramatic drop in tax paid by companies through the latter part of the 1970s. It was open to considerable abuse, as companies could manipulate their stock levels to reduce their tax bills.

The recession brought to light another shortcoming of the system. In the last couple of years companies have been forced to implement heavy cuts to their levels of stocks. This threatened to bring into effect huge tax demands through "clawback" of the relief already given and, a year ago, the government had to hurry through a reform to prevent industry from ruinous tax demands. The new permanent system is based on a single price index. A future surge in, for instance, commodities would allow little relief in tax demands for the companies most affected by the surge.

The two realistic alternatives to the present hotch-potch are to tax current cost profits as defined by the Statement of Standard Accounting Practice 16, or to go over to a system of taxing only distributions to shareholders. The Green Paper shows little enthusiasm for either alternative. So, it appears that companies will be saddled with the present system for the time being — with regular tinkering as circumstances change.

David Freud

Plenty of money for smaller companies

GIVEN the 80 or so Government initiatives specifically to help them and the surge of interest from City and other financial institutions over the past two to three years, small companies can hardly complain these days that they are overlooked.

Money, it would appear, is pouring out of bankers' and merchant bankers' ears to support them. Far from referring to a "financial gap" it is now fashionable to talk about the shortage of good small company "situations" for the comparatively vast supply of cash increasingly being made available for the sector.

It may well be true that those involved in management "buy outs" are now in a much stronger position to bargain with the financial institutions. But the feeling persists among some small businessmen and critics of the City that these institutions often do not fully understand small companies and that their long term commitment is questionable.

It is impossible to know how long the small business bandwagon will continue to roll but it is a fair bet that the City will come along for the ride until it stops moving. The point to emphasise at this stage is that the enthusiasm of many financiers for small firms is as new as the politicians' "love affair" — and sudden conversions are not always convincing.

Unquoted sector

There are a *number of good* reasons why certain people in the City would still wish to be wary of dabbling in the unquoted sector. After all, it was a highly popular pastime in the 1960s among some merchant banks and, while successful for a number of years, many reputations suffered in the 1974 recession as unwanted chickens came home to roost.

Investing in smaller companies got a bad name at that time and many people were persuaded that it was unacceptably risky and insufficiently rewarding.

Only recently has an understanding developed that a large number of new businesses fail — possibly as many as four out of five in the first four or five years — though there is no reliable statistical evidence to back this up — and that small companies take up considerable management time.

Such are not the conditions under which the average UK investment manager normally operates. Much greater care, therefore, has to be taken with a new or unquoted company than with publicly quoted and closely analysed businesses with a long track record. Much more regular monitoring of performance is required for the management is often likely to be young and inexperienced.

Another feature of small companies is that those which fail usually have to be written off long before the successful ones start demonstrating results. It takes strong nerves to invest in the small business sector and, just as importantly, a fairly sophisticated understanding of the risk reward ratio.

The need to reduce this risk is perhaps the main reason why the merchant banks and others in the private sector tend to have pretty demanding criteria for selecting their investments.

In most cases there is little interest in propositions which involve less than say £100,000 or which do not offer the prospect of impressive growth over the first few years.

Entrepreneurs can indeed pick and choose if they have an exciting business plan but a problem remains for the less glamourous company which projects a more modest but nevertheless perfectly respectable increase in profitability.

There is not just one "gap" but a series of "gaps" and this is one which perhaps remains to be closed.

Over the last few years there has nevertheless been an impressive increase in the number of institutions prepared to provide specialist finance for smaller companies.

The Industrial and Commercial Finance Corporation has since the Second World War built up a pre-eminent position in the sector but, while its business has continued to expand, it has recently encountered many more competitors in the market place.

Its own shareholders, the clearing banks, have broadened the range of their own services to take in equity and venture capital. Midland's four venture capital subsidiaries and the National Westminster's Capital Deposit Scheme are examples.

Electra House has over the years shown the way for investment trusts but others are now displaying more interest in investing in unquoted companies themselves or at least in supporting specialist institutions *to do the job for them.*

There has been plenty of talk about the pension funds using their vast resources to back small companies but apart from a couple of notable exceptions they have generally been inclined to pay lip service rather than to act.

The pension funds, like the investment trusts, have realised that backing small companies takes up precious management resources and can demand different skills. However successful the result, moreover, the overall impact on a large portfolio will inevitably be small.

The future seems to lie the way of institution-financed *smaller specialist* funds such as Advent Technology, Rainford and the APA Venture Capital Fund, the first UK vehicle of the U.S. venture capital specialists Alan Patricof Associates which recently raised £10m from a variety of institutional and private investors.

These efforts are all commendable as far as they go but strong doubts remain about whether the private sector is prepared to take the sort of risks required at a time when the shake-out in British industry is throwing up many more budding entrepreneurs than before.

Public sector agencies such as regional development agencies with their own equity resources are one answer but the record of some of those who are pushing money at the sector for political reasons has given fuel to those who believe that market disciplines are essential.

Start-up scheme

The present Government's policy is to use public funds to encourage the private sector to take a more aggressive lead. Thus the Business Start Up Scheme was introduced in the 1981 Finance Act in order to give individual investors in small companies tax relief at their top marginal rate up to £10,000 (£20,000 for 1982/83 and 1983/84).

The idea here is to breathe new life into Aunt Agatha (or her modern day equivalent) and to encourage individuals to divert some of their resources into industry direct rather than into building societies, insurance companies or pension funds which hitherto seemed to have had a monopoly of the tax privileges.

Unfortunately, the Business Start Up Scheme has been hedged with restrictions by the Inland Revenue and at this stage the response by individual taxpayers appears to have been small. Investors, however, have shown most interest in the six funds which now enable individuals to pool their money and leave it to professional managers to find suitable start-ups.

The other Government measure which is helping new companies get going is the Loan Guarantee Scheme. This is run through the banks and provides a government guarantee against 80 per cent of an approved loan in return for a "premium" equivalent to 3 per cent paid by the borrower.

The scheme was designed for and is used by existing companies but around half of these companies which have taken up loans have been start-ups. Some observers point out that new companies need equity more than expensive loan finance.

The argument about financial gaps will continue for many years and protagonists will no doubt continue to debate whether they are being adequately filled.

There is, however, another gap which is possibly in need of more attention. This could best be described as the "management" gap.

Judging by the number of courses and seminars and the amount of anecdotal evidence, more and more people are turning to their own business either as an answer to unemployment or because of disillusion with the structure of a large organisation. An economy which has traditionally been dependent on heavy industry does not always breed good entrepreneurs. While there is no reason to doubt the flair and talent of many people starting up at the moment they need more than just financial support when it comes to running their own business.

That is why the growth of enterprise agencies and other local initiatives are as welcome (where they do not trip over each other) as the new sources of finance.

Tim Dickson

INVESTMENTS OF INSURANCE COMPANIES: LONG-TERM FUNDS

	Public sector securities*		Company securities†		Other investments‡		Cash and short-term assets (net)		Total
	Purchases	Sales	Purchases	Sales	Purchases	Sales	Closing balance	Net investment	net investment
1979	11,137	8,502	2,185	1,319	1,545	677	1,077	82	4,451
1980	11,366	9,031	3,275	1,961	1,720	552	1,123	46	4,862
1981	14,358	12,038	4,562	2,651	1,990	730	1,537	414	5,905

INVESTMENTS OF INSURANCE COMPANIES: GENERAL FUNDS

	Public sector securities*		Company securities†		Other investments‡		Cash and short-term assets (net)		Total
	Purchases	Sales	Purchases	Sales	Purchases	Sales	Closing balance	Net investment	net investment
1979	3,352	2,949	654	495	361	222	1,024	208	907
1980	3,203	2,806	914	700	468	285	998	26	769
1981	3,525	2,875	1,144	860	474	293	1,105	107	1,223

INVESTMENTS OF PRIVATE SECTOR PENSION FUNDS

	Public sector securities*		Company securities†		Other investments‡		Cash and short-term assets (net)		Total
	Purchases	Sales	Purchases	Sales	Purchases	Sales	Closing balance	Net investment	net investment
1979	5,257	3,983	2,861	1,867	467	119	1,233	294	2,911
1980	5,164	3,823	4,381	2,333	536	101	1,047	−185	3,638
1981	4,712	3,744	4,968	3,194	875	136	1,070	22	3,504

* British government and local authority securities. † Including authorised unit trust units. ‡ Mortgages and loans, property, overseas government securities and other financial assets.
Source: British Business.

Larger institutions under fire for their lack of loyalty

INSTITUTIONAL shareholders are something of a mixed blessing. A source of huge capital sums, they provide vital support to companies and their operations and are an indispensible part of the corporate financial scene.

Last year net investment by insurance companies and private sector self-administered pension funds totalled £10.6bn, representing an increase of 15 per cent on the figures of 1980, when net investments by these institutions totalled £9.3bn.

Together with the involvement of unit trusts, investment trusts and the fund management department of the banks, these institutions probably account for up to 70 per cent of all UK company shares.

But in spite of their importance the institutions are coming under increasing criticism about their role and how they perform it.

All fund managers are under pressure to show good investment performance. In the past few years they have been forced by market and economic changes to re-evaluate their own performance by testing the returns from traditional investment opportunities against a much wider range of investment vehicles which are now available.

The size of holdings of individual institutions, and of the volume of shares in which they wish to trade, is now such that the larger among them may not be able to buy or sell shares without affecting the price.

'Follow-my-leader'

The pressure on fund performance has led to almost capricious behaviour by institutional investors in their stock market dealings. The Wilson Report observed in its review of the financial institutions that some of them based their trading on that of certain leading institutions in "follow-my-leader" style.

The report observed that institutions receive their outside research and advice from the same influential stockbrokers and that their own staffs of professional analysts all had the same data available to them and tended to interpret it in the same way at the same time.

The Wilson committee concluded that there was no evidence of collusion between investment managers in the institutions attempting to reach a collective view, and although they are far fewer than the many private shareholders they do exist in appreciable numbers, in a variety of institutions with different objectives.

Yet the interests of the funds can rarely balance satisfactorily with the interests of companies in which they invest. The recent spate of "dawn raids"—rapid and predatory purchases of large blocks of shares with a view to an eventual takeover bid—has highlighted a serious dilemma for fund managers.

Effective control of a public company has been secured in a few hours by heavy purchases of shares in a "dawn raid." Having announced their terms bidders have walked into the market and persuaded institutional shareholders that their best interest lay in taking cash immediately rather than waiting for an uncertain outcome of the bid.

There has been no chance for the company under predatory attack to debate the merits, industrial and financial, of the takeover. In this situation, there has been little chance for such companies to issue formal defence documents to their shareholders.

The Council for the Securities Industry, which has a non statutory responsibility for supervising the behaviour of the London security markets, has decided to curb the raids and introduced a system of checks and balances intended to ensure that large blocks of shares cannot be built up without some cooling off period.

This may satisfy some of the critics of lightning takeovers, but it does encourage the bidding company to become more resourceful and look for loopholes. Moreover, the Council for the Securities Industry cannot create a moral or legislative code for fund managers whose performance is under total scrutiny.

No matter how much the fund managers may protest their undying loyalty to a company whose efficiency they regard highly and whose management they admire, once a bidder has emerged offering a price for the company the fund managers' past loyalties often have to be laid aside.

For the companies the prospect of dealing regularly with fickle fund managers is a frustrating one. Large parcels of their equity, concentrated in the hands of a few institutions, could quickly pass into the waiting hands of a predator. Moreover, the institutions, as shareholders, exert other and more powerful influences.

In recent months some of the *institutional shareholders* have demonstrated their power as investors. The Post Office Staff Superannuation Fund, together with a number of other institutions, has launched extensive litigation in an effort to block a record golden handshake of £560,000 paid to a former managing director of Associated Communications Corporation.

The pension funds have forced Habitat to give a clear explanation of its merger with Mothercare and details of the rationale. The pension funds have also persuaded Burton to drop a controversial beneficial property deal for its top executive.

The collective power of the institutions, as large shareholders in companies, is being used in a more public and visible way than ever before, which can be to the positive advantage of the small private shareholders who have no voice.

Even so, there is some unease in the major institutions about using their power collectively and openly to force changes in boardroom decisions. While the institutions are enforcing a new accountability among publicly quoted companies, some fund managers are unhappy about acting as a herd and using combined shareholdings to bring about changes.

In this new environment, companies are more than ever having to pay careful attention to their relations with their investors and seeking improved liaison with them.

Busy executives are not likely to be able to find time to answer all the questions of increasingly interested large institutional shareholders. Investor relations officers are likely to increase in number in the senior managements of many companies.

Already, most companies are careful to ensure that stockbrokers' analysts are fully aware of the significance of certain developments in their trading.

In short, the institutions now realise their full power as shareholders, and companies will not be allowed to forget that power.

John Moore

BRITAIN'S PROVINCIAL PRESS

Wrestling with the freesheets

By Alan Pike, Industrial Correspondent

IN ACCORDANCE with the immutable law that if something can go wrong it will, the launch of the biggest-yet free newspaper in a single city has been blocked for a month by industrial action.

The reasons for the failure of the Clyde Post to reach its projected destination of more than 300,000 homes in the Glasgow area have, however, nothing to do with money, manning or the other industrial relations problems which often affect the introduction of new products. Principles are, in this case, quite genuinely at stake. Principles which go to the heart of a growing debate about the future of one of Britain's most familiar institutions, the provincial press.

The executive of the Society of Graphical and Allied Trades, which is led by Mr Bill Keys, chairman of the TUC printing industries committee, has declared that it will not produce the Clyde Post and another proposed freesheet in Aberdeen because it believes free newspapers are putting the existence of traditional, paid-for publications at risk. Scottish Labour MPs have supported the stand and tabled a Commons motion urging the Government to "protect the legitimate press from the threat caused by the uncontrolled growth of freesheet newspapers."

Free newspapers—publications which are given away and financed out of advertising revenue—are not the only question mark over the future of the provincial newspaper industry. Competition which a few years ago did not exist is closing in from other directions, too. Commercial local radio collects well over £50m a year in advertising revenue, while another £82m is spent by advertisers in local directories. There is also looming over the newspaper industry the threat of cable television which, while it may bring opportunities for collaboration with newspapers, will be another competitor for revenue.

Some advertisers are being lost to provincial newspapers for the most basic of reasons: the impact of the recession. This can be gauged very effectively from the advertising columns of newspapers in industrial towns. A few have lost up to three-quarters of their staple recruitment advertising.

New media like commercial radio tend to expand as well as merely redistribute the advertising cake. But the provincial newspaper industry's share of the cake is none the less shewing a slow but certain decline. This is accompanied by a similar decline on the part of the industry's other vital customer — the reader. Readership of provincial dailies has dropped by 13 per cent since the 1960s.

This year has already seen the announcement of the closure of one evening newspaper — the Westminster Press-owned Evening Mail in Slough—and redundancies and various economies on many others.

The gloom should not be exaggerated. Many provincial groups are still in a good position to show Fleet Street the way on both profitability and technological innovation. It is noteworthy that one of the biggest Fleet Street publishers, Reed International, is at present trying to build up what could become one of the most substantial provincial holdings in the country. But provincial newspapers can no longer take their readers, their advertisers or themselves for granted. This is leading to much heart-searching which is well illustrated in the debate about free newspapers.

Newspapers—free or paid-for—require advertising in order to survive. In rough terms, an average paid-for provincial newspaper needs 1½ columns of advertising to support each column of editorial matter.

Free newspapers, which can offer advertisers an appetisingly high level of market penetration by delivering through every door in a locality, are providing the conventional provincial press with fierce competition in the struggle for advertisers. More than 500 freesheets produce an estimated 15m copies a week—they have overtaken the paid-for weeklies which sell, on various estimates, between 9m and 12m copies. The advertising revenue of the free publications —probably something over £90m a year—is also fractionally higher than that of the old-established paid-for competition.

This is not as dreadful for the paid-for newspapers as it looks at first glance because both types of publication are often produced by the same organisation—the Clyde Post, for example, is owned by

Thomson Regional Newspapers, one of the biggest provincial groups. About half of all freesheet advertising revenue goes to conventional newspaper publishers rather than newcomers to the field.

The most striking distinguishing feature between the freesheets and the conventional newspapers is their cost base. While some free publications provide the same extensive editorial coverage as the conventional opposition, many do not. Operating with almost no journalists and in the words of one union leader "distributed by schoolboys," critics see freesheets as simply milking away advertising revenue until paid-for newspapers, with their higher overheads, become uneconomic.

This argument is injecting emotion into the Glasgow dispute. George Outram, publishers of the Evening Times, plans to open a rival freesheet if Thomson goes ahead with the Clyde Post. Journalists in Glasgow fear that the loss-making Evening Times, the only surviving evening newspaper in one of Britain's largest cities, would be crushed to death in an advertising war between the two freesheets.

Not everyone in the industry takes such a gloomy view of free newspapers. Mr Roy Pritchard, managing director of West Midlands Press, believes that by the end of the decade most weekly newspapers will be distributed free. His own company turned one of its chain of weeklies, the Dudley Herald, into a free newspaper 18 months ago. It is now distributed to 40,000 homes compared with a circulation of 8,000 when it was sold over the counter.

This sort of increase in market penetration gives newspapers the chance of healthier advertising rates. But West Midlands Press has resisted the temptation to downgrade the quality of the Herald, and maintains a similar editorial/advertising ratio to the old paid-for days.

But all this begs the crucial basic question of precisely what the modern reader wants from a provincial newspaper. The Newspaper Society, the organisation which represents provincial proprietors, is about to seek the answer through a readership survey which this month launches an ambitious three-year-long project to bring newspapers closer to their readers.

Even before the survey begins, many people in the industry suspect that the answer to what the public are looking for may be embarrassingly obvious—that the local reader wants plenty of straightforward local news.

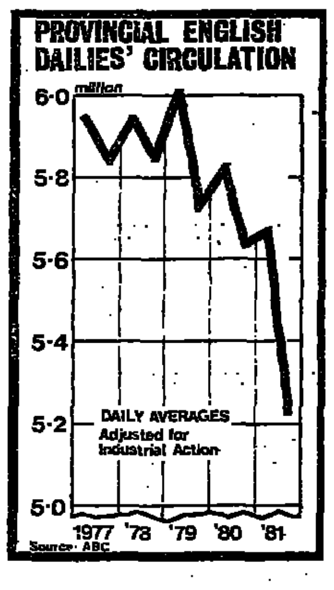
Mr Frank Barlow, general manager of the big Westminster Press group, which, like the Financial Times, is a Pearson Longman subsidiary, suggests that the introduction of new techniques like web-offset printing may have led to provincial newspapers tending to concentrate on layout and presentation matters. The company analysed one of its evening newspapers, the Bradford Telegraph and Argus, and found that this approach had over the past 15 years led to a reduction in the number of stories and pictures served up to the reader.

But if the provincial press learns that it needs to take a more locally-based view of editorial matters, it is at the same time dedicated to getting hold of a greater share of national advertising. More money than ever is expected to go in that direction this year, with national advertisers spending an estimated £180m in the regional press.

Newspaper Society offices are ahead of Fleet Street in the negotiated introduction of new technology but, faced with increasing need to control costs, some managements would like to go further quickly and the society has set up a committee to decide its next move. The route to the biggest savings would be by allowing journalists and advertising staff direct access to the computer systems which set many provincial newspapers. Single keystroking exists on no British newspaper where there are union agreements and, although exchanges take place periodically between proprietors and the National Graphical Association — the print craft union — a big breakthrough still seems to be some years away.

The provincial newspaper industry thus faces a future which is uncertain on several fronts. Uncertain, but not uninteresting. Competition for for both advertisers and the attention of the public will continue to grow as innovations like cable television develop.

But perversely the free newspapers, a central aspect of the



challenge to the conventional press, are also taking the printed word into more homes than ever—strengthening the press's ability to compete with the electronic opposition. Perhaps the most crucial of all the questions facing the provincial newspaper industry is whether it can turn this fact to its advantage, without sacrificing the editorial standards which the best of provincial newspapers have tried to apply through two centuries.

Lombard

Caught in the dear food trap

By John Cherrington

APOLOGISTS for the Common Agricultural Policy contend that the higher food prices paid to EEC farmers compared with those on world markets are no more than a sensible premium to ensure adequate supplies in a world with declining resources and an increasing population. But it is fair to point out that, since the days of Malthus, the prophets of universal starvation have been proved abundantly wrong in spite of the growth of population. There is no reason to suppose that they will not be proved wrong again in the future.

It can easily be shown that since the end of the last war world supplies of the basic foods—cereals, meat, milk products and sugar—have generally been in excess of economic demand. There have been temporary shortages of cereals in 1973-74 and sugar in 1974-75 but these were soon corrected. In general, world prices have been weak compared with prices set in the EEC.

Protection

At present, world prices are so much lower than those fixed in the EEC that UK food manufacturers have been crying out for access to them. But the barriers are formidable. EEC farm prices are guaranteed by an intervention system. These hold up price levels on the home markets. But, to limit foreign competition still further, imports are subject to threshold prices maintained by levies.

For instance the cif price for the main feed grain maize, delivered to Tilbury in May was £79.25 per tonne. The intervention price for feed barley (no maize is grown in the UK) was £114.69 and the threshold price below which no feed grain can be imported was £135.45. To make sure that no cheap barley is imported the levy is fixed at £55.32 per tonne for both maize and barley.

Small wonder then that no feed barley is imported with the market so well protected in favour of the EEC farmer. If the present EEC farm price proposals are agreed the intervention and target prices for cereals will increase by around 8 per cent.

A round up of the differences between world and Community prices is instructive. The UK, after all, is still a major importer, although this dependence on imports is lessening as production here is rising or, as in the case of butter, consumption is falling.

The present EEC intervention price for butter is £1,996 per tonne, the world price according to New Zealand sources is £1,311.

The intervention price will go up by 10 per cent in the review leaving the gap between the world and EEC price even wider than it is.

Weakness

The EEC sugar intervention price is £290 per tonne, with the present world price below £120. However Britain does import about 40 per cent of total needs from former suppliers at a figure approximating to the EEC price under the Lome Convention.

In the case of beef the margin is not so marked with intervention beef in the EEC being priced about 10 per cent above the U.S. domestic market, a major importer. Here again though EEC prices are due eventually to rise by 11 per cent over the next year.

Nor is it true, as the pro-Community lobby claims, that these prices represent those given for residual supplies of doubtful continuity. They are for very large quantities, particularly of cereals and sugar which farmers worldwide are desperate to sell — a situation of which Britain used to take the fullest advantage before joining the EEC.

Paradoxically the weakness of the world's food markets is aggravated by the EEC policy of exporting some of its surpluses with the aid of subsidies without regard to the costs of production. The anger which this policy arouses in almost every food exporting country is very real and it could well isolate the Community to a dangerous degree. The supreme irony is that, having weakened the supplier's market, the Community cannot allow its consumers to enjoy the fruits of these operations in the shape of cheaper food.

Letters to the Editor

The Falklands: analogy with the Peloponnesian War

From Mr R. Sandell

Sir,—Mr Reginald Dale (Lombard, May 13) should be reminded that the Athenian expedition against Syracuse was an act of unprovoked aggression, undertaken without international support, against the colony of another state. Its object was to seize territory and enslave a free people.

To suggest that it is Britain's behaviour, and not Argentina's, that most closely resembles that of Athens requires a feat of intellectual contortion that the turncoat Alcibiades himself might have admired.

Robert Sandell.
27, Chancery Lane, WC2.

From Mr D. Nimmo

Sir,—Thucydides would be astonished were he able to read the facile comparisons which your columnist Reginald Dale draws (May 13) between the task force and the Athenian expedition against Sicily.

The Athenians intended to conquer the whole of Sicily, while being unaware of the size or population of the island, or "that they were taking on a war of almost the same magnitude" as their war against Sparta and her allies (in Mr Dale's scenario equivalent to the Russians). The doubts of Nicias, one of the three expedition commanders, were thus well founded. Were the British task force attempting to conquer mainland Argentina, while we were in the eighteenth year of a war with Russia, no doubt Admiral Woodward would be similarly dubious.

Even so the Athenians would probably have succeeded had they not dithered. Thucydides considers much of the blame lay with Nicias for not attacking Syracuse at once and allowing a winter to pass in indecisive engagements. As a result the Spartans were able to send a relief expedition whose first ship arrived just as the Syracusans were discussing how they could end a war that was going badly for them.

Mr Dale's object is to cast doubt upon our present strategy. But if there is a lesson to be learned from this episode in the Peloponnesian War it is surely that swift and decisive action can bring victory where delay and lack of resolution will almost certainly result in defeat.

D. Nimmo.
Gowan Park,
Cupar, Fife

From Mr J. Byrne

Sir,—In the Lombard column (May 13), my current "A" Level studies lead me to think that Reginald Dale failed to point out the most important lesson to be learnt from the Syracusan expedition of 415 BC, if indeed lessons can be learnt from history.

"The Syracusans, with no kind of help coming to them from the Peloponnese, no longer thought that they could win the war, and were beginning to discuss terms of surrender among themselves and with Niceas. . ." (Thuc VI:103). The Syracusans, however, did not surrender, owing to the arrival of Gylippus and the Spartans (Moscow and the Warsaw Pact), who had originally given Syracuse up for lost but "they now received more reliable news to the effect that Syracuse was not yet entirely blockaded, and that it was still possible for an army to get into the city by way of Epipolae" (Thuc VII:1).

It was the Athenian (British) failure to complete the blockade, rather than the lack of cavalry (Harriers) which resulted in the Syracusan (Argentinian) victory.

Justin J. Byrne.
4 Wilton Grove,
Wimbledon, SW19.

From Mr H. Mygind

Sir,—It is unfortunate that an intelligent paper like the Financial Times could (May 12) even support the BBC's so called spirited response. To take the Left Wing extreme against a so-called muddled Right Wing Jingoism as a sensible representation of the people of this country is an anathema and travesty of the British people. Eighty per cent of the population and of Parliament supported sending the task force out in some sort of action. I am sure nobody wants it to just come back again for nothing. Most people do not want bloodshed and most people are sad at the whole affair, but I for one would be very sad if this country were not to defend itself against Argentine aggression and the principles that this country has stood for for many years. The BBC and you offend me mightily.

H. H. S. Mygind.
The Round House,
41 Sheen Road,
Richmond, Surrey.

Accounting for Inflation

From Professor D. R. Myddelton

Sir,—Lex (May 10) suggests that the current cost accounting standard is "under siege." I venture to suggest that CCA has as little business to be on the inflation accounting stage as the Argentine troops have to be on the Falkland Islands. Both are the result of misjudged political adventures.

Current cost accounting is not a system of accounting for inflation, it does not permit comparisons over time ("the essence of judging performance and efficiency," according to Sandilands), it does not apply to smaller companies, nor to certain industries, it is highly subjective and extremely complicated, and it has been explicitly rejected by the members of the Institute of Chartered Accountants in England and Wales.

In contrast, constant purchasing power accounting is a system of accounting for inflation, it does permit comparisons over time, it is completely comprehensive, it is relatively objective and relatively simple. It was recommended by the English Institute in the days before the government interfered with inflation accounting, and it was supported by about two-thirds of the companies responding to a Sandilands questionnaire in 1974.

Politicians — and the committees they appoint — may have other considerations in mind. But accountants concerned solely with the feasibility and usefulness of business accounting should find it easy to prefer CPP to CCA. Opposing CCA is not being obstructive. It is clearing the way for the only genuine system of inflation accounting, namely CPP.

(Professor) D. R. Myddelton.
Cranfield School of Management,
Cranfield, Bedford.

Battery hen cage sizes

From the General Secretary, Compassion in World Farming

Sir,—Your news item "Battery hen system support" (May 7) reports the efforts of John Maunder of the British Poultry Federation to keep cages for hens at all costs — in spite of EEC moves to overcome the cruelty.

In fact, the EEC measures are a meaningless reform — a tiny increase in cage-floor area in the year 1990. At least three of the 10 Common Market Agriculture Ministers are determined to keep cages as they are.

Nevertheless, we shall get rid of cages during the life of this Government or the next. Britain can and must go it alone and take the lead against this cruelty which blights the honest name of agriculture.

Peter H. Roberts.
20, Lavant Street,
Petersfield, Hants.

Prepare to meet the upturn

From Mr A. Brown

Sir,—You often hear or read that companies are much leaner, slimmer, fitter than they used to be and that they are well prepared to meet the upturn of trade when (if?) it comes. Might I look beyond this statement and suggest the following opposition to that view?

Manning levels have been reduced because trade has decreased and the total labour costs (compared with three to four years ago) look relatively good.

A large number of companies have not reduced manning in exact relation to the loss of trade and therefore those employees still in work are not working as hard as they used to and their level of productivity has decreased or remained the same.

When (if?) the upturn comes employers will ask their employees to work harder but the full-time TU officials will ask employers to employ more people.

If employers have not taken the opportunity, during this recession, to introduce the type of wages schemes that motivate employees to work harder then those employers will be sorry.

Many employers will first regret that they ever paid out so much in redundancy and then in an attempt not to increase their labour force to deal with extra trade, they will rush in some "hastily" constructed incentive schemes.

Any "hastily" constructed schemes will, through inherent weakness and lack of safeguards, create drift and rapid increases in labour unit costs.

Will employers repent at their leisure and woe the lost opportunities to prepare "thoroughly" for greater productivity?

A. R. Brown.
20, Greenway,
Totteridge, N20

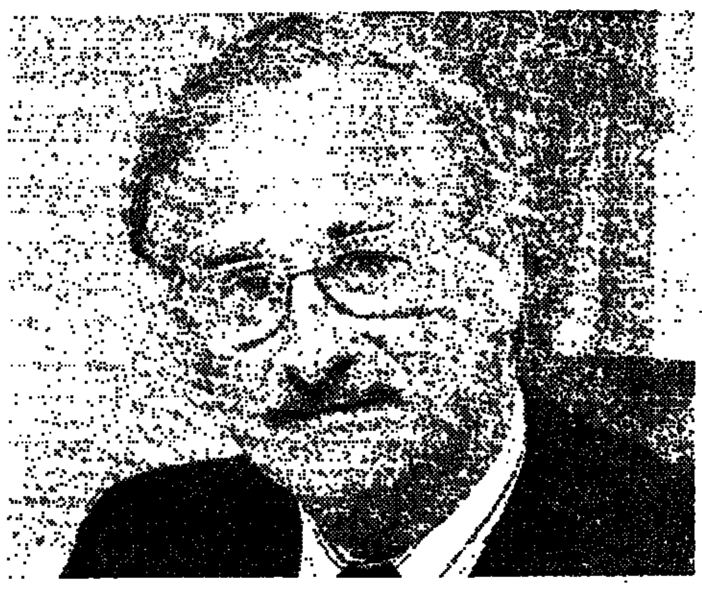
Saturday bank opening

From Mr M. Camm

Sir,—Mr John Quinton's statement (May 14) that the staff of Barclays Bank will be "delighted to have money in their hands" for working on Saturday mornings is merely an admission that bank staff are underpaid.

M. S. Camm.
49 Highfield Avenue,
Portsmouth, Hants.

Unilever holds profit despite lower volume


Mr Ken Durham, chairman of Unilever

A MARGINAL improvement in first quarter 1982 pre-tax profits is reported by Unilever, the Anglo-Dutch soaps, fats and frozen foods company.

Sales by value showed an increase of 5 per cent from £2.89bn to £3.03bn but sales volume was "slightly down," the company says. At the operating level profits were 2 per cent lower at £165.7m but an increase in interest receivable has enabled a small gain to be shown in the pre-tax figure which is ahead from £171m to £172.5m.

After a lower tax charge the profit attributable emerges 13 per cent higher at £88.3m (£77.8m). This comprises £48.6m (£40.7m) from Unilever PLC and £39.7m (£37.1m) from Unilever NV. Combined earnings of the group per 25p of capital were up from 20.94p to 23.77p.

For the whole of 1981 combined sales were £11.59bn (£10.15bn) and pre-tax profits showed an increase from £572m to £708.5m. The dividend for PLC shareholders was 26.87p net whilst NV holders received Florins 12.04, subject to withholding tax.

The directors report that in Europe results of edible fats and detergents were down on last year's "exceptionally good" quarter while frozen products and other food drinks were at about the same level as last year. Personal products did well in the quarter while the results of most of the industrial businesses were little changed compared with the corresponding period of last year.

In the U.S. results on the whole were about the same as in 1981, the directors say. UAC International's results have not so far been affected by import restrictions in Nigeria and profits were higher than in the first quarter of 1981 with continuing good results in Francophone Africa.

In other countries outside Europe and North America, the directors report a slowdown in growth but results in total were slightly higher than in the first quarter of 1981.

The first quarter pre-tax profit included share of associates profits lower at £13m (£15.1m) and was struck after interest of £23.8m (£20.8m). The directors explain that the higher interest received of £9.6m (£3.8m) reflects the increase in net liquid funds compared with a year ago. Tax of £79.9m (£85.5m) includes the benefit of stock relief in the UK which was not included until the second quarter of 1981.

CCA operating profits for the quarter are shown at £97.2m (£101.5m) and the attributable profit £38.8m (£30.1m).

See Lex

Exports aid Weeks' recovery

A SURGE in export sales helped Weeks Associates, agricultural machinery and rubber products group, return a taxable profit of £242,087 in the year to January 31 1982, after a £32,043 profit halfway and a £97,332 loss in the preceding year.

This includes non-recurring trading losses of £92,518 at Hunton International, whose operations have been run down.

Although turnover was only marginally ahead at £10.56m (£10.35m), exports rose by 38 per cent to £3.77m.

Mr Wilfred Airey, chairman, says the results, which are "not unsatisfactory considering the prevailing trading conditions," allow dividends to be restored to a more adequate level—a final of 0.7p net per share is being recommended.

There was no interim, and only a nominal 0.1p was paid the previous year. Earnings per 10p share are given as 2.4p, compared with a 0.4p loss.

Another "outstanding achievement" which helped group results was a 36 per cent reduction in borrowings amounting to £870,000, including loan repayments of £182,000. Group borrowings now represent 39.9 per cent of shareholders' funds, against 64.7 per cent a year earlier.

There was a tax credit of £9,701, compared with a £50,131 credit, and extraordinary credits of £5,871 against a £310,148 debit.

Mr Airey says the results point to the group's inherent strength. It is working well within its bank borrowing facility and the balance sheet is adequate to support growth. "I am confident that as the UK economy improves there will be commensurate increases in earnings."

He says, however, that the outcome for 1982 is hard to predict.

There are few signs of real economic upturn in the UK. Overseas, prospects for exporting agricultural equipment are uncertain. Reduced oil revenue will delay development plans in several Opec countries which are big markets for the group.

Though it is too early to assess how much, exports are likely to fall short of the 1981 record, he says. Without a compensating improvement in the British economy, the contribution from the agricultural trailers subsidiary will be considerably lower.

Interest charges for the year were lower at £322,824 (£522,432).

On a current cost basis, pre-tax profit is £99,070, compared with a loss of £290,034.

Bishopsgate Trust at £1.38m

TAXABLE revenue of Bishopsgate Trust rose from £1.3m to £1.35m for the year to March 31 1982. With stated earnings per 25p share improving marginally by 0.12p to 3.58p the dividend for the year is being increased from the equivalent of 3.3333p to 3.5p net with a final of 2.3p.

Full-year tax was higher at £498,000, compared with £449,000.

Net asset value per share fell back from 126.3p to 120.1p.

YULE CATTO

Kuala Kepong Berhad on May 10 bought 275,000 ordinary shares in Yule Catto and Co at 82.25p. This increases its holding to 5.2m ordinary shares (27.9 per cent).

Improved position at Whitbread

MEASURES TO protect margins, reduce costs and raise efficiency at Whitbread & Co., brewer, were effective and led to an improved trading position in the second six months ended February 27, 1982.

Pre-tax profits for this period rose from £30.38m last time to £34.65m producing full year figures £6.8m (10.2 per cent) higher at £73.19m. Turnover for the 12 months increased 7.6 per cent from £762.15m to £841.73m.

The company says that there are signs that the recession is bottoming out. The decline in beer sales may have started to slow down and given a spell of good weather in the coming months, there is room for cautious optimism.

A final dividend of 3.4p net effectively raises the total payment from 4.467p to 4.9p per 25p share—a near 10 per cent increase. Earnings per share are stated as 14.44p (15.14p) basic and 14.28p (15.07p) fully diluted.

At the attributable level, profits available to ordinary holders declined from £59.38m to £46.57m. This reflected a much higher tax charge of £17.24m (£8.26m) and extraordinary debits of £8.26m (£2.37m credits). In addition, minorities increased from £71,000 to £227,000 and £480,000 (£426,000) was allocated to the share ownership scheme.

Ordinary dividends absorb £18.61m (£16.89m).

Pre-tax figures were after charging depreciation of £23.78m (£21.27m) and net interest of £13.5m (£17.52m), but crediting exchange gains of £492,000 (£142,000 losses) and trade investment income of £4.23m (£4.05m).

In current cost terms, taxable profits were £52.3m (£50.8m).

The company says Stowells Wine Box, a new way of marketing wine in the UK, has proved an outstanding success. Stowells Langenbach range also did well in a buoyant market for white wines.

The merger of Whitbread's soft drinks interest with Bass has now been operating for 18 months and is trading strongly.

The strength of the company's extensive product range was demonstrated by brands such as Trophy, Heineken, Stella Artois, Mackeson, Gold Label and Kaltenberg Diat Pils, all of which maintained their position in the market. At the same time, its local beers all did well.

Abroad, Long John continued its steady progress in key international markets despite adverse world trading conditions for Scotch. In Belgium, the company's market share was maintained.

An important contract for managing the construction of a brewery overseas was secured by Whitbread Technical Services.

Good progress was made with the development of catering in pubs, notably with Beefeater Steak Houses which are now being opened at the rate of one a week and which already number more than 100.

See Lex

BOC advances 34% at six months

PRE-TAX profits of the BOC Group show an increase of 34 per cent from £33.4m to £44.9m for the six months to March 31, 1982. These figures are calculated on a modified historical cost basis which takes into account additional depreciation on revalued assets. First-quarter taxable results had risen from £14.6m to £21.2m.

Half-yearly profits have been affected favourably by a £4.5m gain from changes in exchange rates, compared with the same period last year. Excluding these exchange gains, the advance in pre-tax profits was 18 per cent.

The interim dividend is being stepped up by 12.5 per cent from 2.31p to 2.6p net per 25p share—the total payment for the year ended September 30, 1981, was 5.11p and taxable profits came to £92.7m.

Although difficult trading conditions are expected to prevail throughout the balance of the current year, the board's expectations that profits will rise over those of last year remain unchanged, says Mr Richard V. Giordano, the group chief executive.

First-half sales of the group, whose interests cover industrial gases, welding products, health care and carbon graphite products, climbed from £643.3m to £763m.

Profits from the group's European businesses, which are principally in the UK, have risen substantially—up 66 per cent on the same period of 1980-81. BOC is benefiting from a slight upturn in trading activity in its main European businesses, but the largest gains have come from improved productivity, the result of programmes implemented over the past three years.

As expected, the deep recession in the U.S. has affected some of the group's businesses there; trading results in its carbon graphite and welding operations, as well as some parts of its gases activities, were sharply down.

However, health care businesses in the U.S., and elsewhere, are having an outstanding year. BOC's companies in Africa and the Pacific have also improved their results in spite of a slowing down of economic growth in these two regions.

A geographical split of profits shows: Europe £22.2m (£13.4m); Africa £11.2m (£9.3m); America £16.1m (£23.9m); Asia £1.3m (£1m) and the Pacific £16.4m (£13.6m).

Earnings attributable to holders climbed by 94 per cent to £28.9m. Some £7m of the £13.7m increase was, however, due to overseas tax credits, which are unlikely to recur.

Stated earnings per share on a nil basis were 9.8p (5.54p) undiluted and 9.12p (5.48p) fully diluted. On a net basis, earnings were 8.54p (4.44p), undiluted and 7.87p (4.38p) fully diluted.

The pre-tax figures were struck after depreciation of £60.5m (£48.6m), share of associates' profits of £4.5m (£2.7m) and interest charges of £32.4m (£30.2m). Tax charge decreased from £14.5m to £11.9m and minority interests accounted for £4.7m (£4.3m).

In current cost terms, pre-tax profits rose by 39 per cent from £33.6m to £46.6m.

See Lex

HIGHLIGHTS

After writing on the steep fall in the equity market yesterday the Lex column looks at the results of four leading companies. Unilever's figures proved disappointing yesterday, particularly against a strong comparable period. The weakness in consumer spending hit West European sales and sluggish commodity prices showed through in non-OECD countries. Whitbread's figures for the year to February show trading profits barely changed but interest charges are much lower thanks to the sale of the Chiswell Street site and substantial cost reductions helped to offset the decline in beer volume. At BOC reported first-quarter profits are a third higher at £44.9m pre-tax and the dividend is increased by 12½ per cent. Finally Lex considers the preliminary statement from Land Securities—where net asset value is 449p—some way above outside estimates though the dividend payment fell short of expectations.

Land Securities up to £67.4m

INCOME before tax at Land Securities Investment Trust rose from £54.87m to £67.4m for the year to March 31, 1982, after interest payments down from £21.83m to £21.32m. At halfway, income was £31.71m.

Full year total income was higher at £118.2m (£103.89m).

A final dividend of 5.65p (5.6p) net per share lifts the total to 8.4p (7.6p). Stated earnings per £1 share were 11.88p (9.94) basic. The preceding year's dividends have been adjusted for scrip issues share consolidation.

Tax took more at £26.71m (£22.37m).

The directors say that a valuation at March 31, 1982, placed a value of £1.85bn on the group's portfolio. Incorporating the valuation in the accounts produced a surplus of £149.34m in the book value of the portfolio.

Without adjusting for any tax which would be payable if the properties were sold, the consolidated net assets of the group at March 31 amounted to £1.59bn. On this basis, the fully diluted net asset value is given as 449p per share.

As fluctuations in income caused by the development and refurbishment programme could result in a review of future additional income being misleading, especially in the short term, the directors say they have decided not to publish such a review while these circumstances continue.

They propose to change the name of the company to Land Securities PLC, to adopt an up-to-date form of articles, and to provide directors with a limited waiver from the provisions of Section 17 of the Companies Act 1980 in the event of a future issue of shares or convertible securities for cash.

The aggregate capital commitments at year end, amounted to £108.3m, which includes spending on developments which will be phased over varying periods to completion.

The build-up in the programme of developing and refurbishing buildings in the portfolio will affect rental income in the short term and interest receivable will decrease as funds are spent on the work. It is also expected that in future the tax charge will rise because of lower allowances.

Bearing these factors in mind, the directors say that, in proposing the higher distribution for the year, they have considered it appropriate to raise the dividend cover.

See Lex

Metal Closures 'aiming for quality market'

Metal Closures Group intended to concentrate on the segment of the market which was prepared to pay for service and quality, rather than chasing profitless turnover, Mr J. H. Boden, chairman, told the annual general meeting.

The level of activity was still well below capacity at all plants of the group, which was mainly concerned with making and selling metal and plastic products and packaging industry equipment.

But although there was no sign of an upturn, the chairman said, rationalisation and capital spending throughout the group had raised efficiency, and despite fierce price-cutting from competitors at home and abroad, the group had to the best of the board's knowledge lost no major market share.

A. Bulgin final results setback to £390,307

A SETBACK in pre-tax profits has been shown by A. F. Bulgin & Company, maker of electronic and electrical components, for the year to January 31 1982. The surplus moved down from £780,553 to £390,307 on lower turnover of £4.97m against £5.52m.

After six months profits fell from £611,000 to £178,000. In their interim report the directors said they expected a difficult second half as the returns from the distribution and energy sectors might not compensate for the low profitability in manufacturing.

However the directors were also hopeful that 1982 would show an improvement on the manufacturing front, that distribution would maintain a steady growth and investments in the energy sector would produce profits estimated. These factors, they said, should see "a return to profit levels expected a year or so ago."

The net dividend is held at 1.35p with a final of 0.77p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Fortnum & Mason	19.72	June 29	19.72	23.72	23.22
Joseph Holt	7	—	5.5	9	7.5
Whitbread & Co.	3.4	July 23	3.07*	4.9*	4.47*
A. F. Bulgin	0.77	July 29	0.77	1.35	1.35
Bishopsgate Trust	2.3	—	2.17*	3.5	3.33*
Bardsey	0.3	—	Nil	0.3	Nil
Western Selection ...int	1	Oct 1	1	—	2.3
Weeks Assocs.	0.7	—	0.1	0.7	0.1
BOC Group ...int.	2.6	Oct. 5	2.31	—	5.11
Selincourt	Nil	—	0.7	0.44	1.14
Matthew Brown ...int.	1.35†	Aug. 6	1.35	—	6.35
Land Secs	*5.65*	*July 16*	5.6§	8.4	7.6§

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock.

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$300	—	—	3	54	—	—	$338.80
GOLD C	$325	7	16	7	36	—	—	"
GOLD C	$350	14	2	12	20	4	31	"
GOLD C	$375	—	—	15	11	10	21	"
GOLD C	$400	—	—	18	6.50	—	—	"
GOLD C	$425	—	—	2	2.50	—	—	"
GOLD P	$300	—	—	2	4	—	—	"
GOLD P	$325	30	1	15	11	40	16	"
GOLD P	$350	28	12.50	6	22	—	—	"
GOLD P	$375	10	34	—	—	—	—	"
13½ NL 81 87-91								
C	F.112.50	—	—	—	—	8	3.40 A	F.114.90
C	F.117.50	—	—	—	—	40	1.10	"
10¾ NL 80 86-95								
C	F.102.50	—	—	—	—	15	2.30	F.102.60
11½ NL 82 88-92								
C	F.102.50	160	2 A	10	2.60 A	165	5	F.104.70
10 NL 82 85-89								
C	F.100	—	—	10	1.50	192	2.10	F.100
P	F.100	—	—	—	—	10	2.10	"
		July		Oct.		Jan.		
ABN C	F.300	10	3	10	7	—	—	F.291
AKZO C	F.27.50	17	1.30	40	2.30	—	—	F.28.80
AKZO C	F.30	41	0.60	5	1.20	30	1.70	"
AKZO C	F.32.50	15	0.30	—	—	4	1.10	"
AKZO P	F.27.50	16	1.20 B	10	1.50	—	—	"
AKZO P	F.30	—	—	15	3.20 B	—	—	"
AMRO C	F.55	—	—	—	—	24	2.40	F.53.80
HEIN C	F.60	5	4.20	—	—	—	—	F.61.70
HEIN C	F.65	50	1.20	—	—	6	3.50 A	"
IBM C	$65	—	—	—	—	5	5	$63⅞
IBM P	$60	6	¾	—	—	—	—	"
KLM C	F.100	10	8.50	—	—	—	—	F.101.70
KLM C	F.110	49	4	—	—	—	—	"
KLM C	F.120	30	1.80	23	4	—	—	"
KLM P	F.90	47	1.40	—	—	—	—	"
KLM P	F.100	29	4.80	15	6.50	—	—	"
KLM P	F.110	6	10.70	12	11.50	—	—	"
NEDL C	F.120	27	10.50	5	10.50	—	—	F.131
NEDL C	F.130	47	2	—	—	—	—	"
NEDL C	F.140	60	0.40	—	—	—	—	"
NEDL P	F.120	34	5	—	—	—	—	"
NEDL P	F.130	7	11.50	—	—	—	—	"
NATN C	F.115	8	2.80	—	—	—	—	F.117.80
NATN C	F.120	12	1.50A	—	—	—	—	"
PHIL C	F.22.50	15	2.60	20	3	—	—	F.24.60
PHIL C	F.25	400	0.90	244	1.40	261	1.90	"
PHIL C	F.27.50	4	0.20	19	0.50	5	0.90	"
PHIL P	F.25	61	1	—	—	15	1.60	"
PHIL P	F.27.50	100	3	—	—	—	—	"
RD C	F.80	10	13.40	4	14	—	—	F.93.40
RD C	F.90	279	3.70	—	—	—	—	"
RD C	F.100	128	0.80	15	1.80 A	154	2.70	"
RD P	F.80	13	0.80	—	—	10	1.60	"
RD P	F.90	104	3	—	—	29	5.10	"
UNIL C	F.150	16	9.20	—	—	—	—	F.159.30
UNIL C	F.160	10	2A	5	3.80	—	—	"
UNIL P	F.160	34	2.50 B	—	—	—	—	"
		May		Aug.		Nov.		
BOEI C	$20	5	⅜	—	—	—	—	$20⅛
BOEI P	$20	10	¼	—	—	—	—	"
VW C	DM.140	12	12 B	—	—	—	—	DM152.10
VW C	DM.150	28	2	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS: 3626

A=Asked B=Bid C=Call P=Put

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Matthew Brown advances to £2.3m at six months

INCLUDING INTEREST receivable this time of £140,000, compared with a charge of £46,000 last time, first-half taxable profits of Matthew Brown, brewer, improved from £2.01m to £2.33m.

The directors explain that the turnround in the interest figure was a result of investing the December rights issue monies not yet deployed.

Turnover for the 26 weeks to April 3 1982 was up by some 14 per cent to £15.99m (£14.02m) resulting largely from a significant increase in duty on the group's products. Trading profits advanced by around 7 per cent to £2.66m (£2.45m).

Stated earnings per share moved ahead to 7.37p (6.58p adjusted) and the net interim dividend is being held at 1.35p on the enlarged share capital—a final of 5p was paid for 1980-1981 from pre-tax profits of £5.04m.

Mr P. W. Townsend, the chairman, makes no forecast for the second six months. He says first-half sales volume was down but with a reported national decline in beer production of 6.6 per cent for the period the group's own downturn of 3.2 per cent does suggest that it gained some additional share of a "very depressed" market.

The chairman adds that the extra duty imposed in March has not helped trade which remains unexciting. He points out that the group's own prices, net of duty, have not been increased since September 1981 and the objective is to hold prices for the rest of the year and further improve the group's trading outlets.

First-half pre-tax profits were struck after depreciation of £568,000 (£480,000) and included property disposal of £82,000 (£92,000). Tax took £931,000 (£865,000).

● comment

In the contracting beer market Matthew Brown is having to work hard to slow the volume decline. Currently the company is gaining ground in the free trade business but the cost of this battle can be seen from the 46 per cent jump in loans to customers to £3.45m reported in last year's annual accounts. On the tied houses, gains rely very much on revitalising trade through refurbishment which is rapidly absorbing the rights issue funds. Fortunately only a quarter of the group's trade is in the severely depressed Cumbrian region but overall there are, so far, no signs of a sustained rise in demand. The only bright spot being the increase in lager production — now accounting for over 21 per cent of group total draught sales. Most of the gain from the September 3p-a-pint increase will have worked through in the first six months. So the decision to freeze prices will mean costs though rising more slowly than in the recent past, will weaken margins. The effects of refurbishment aside, performance in *the second half will depend very* much on the weather. Certainly the sun was shining on the shares yesterday which rose 6p to 186p for a fully tax historic p/e of over 14½.

Selincourt drops to £0.37m and omits final: better prospects

THE CONTINUED deterioration in market conditions combined with rising interest rates in the second half of the year have hindered the recovery expected at Selincourt, the textile and garment manufacturing group.

For the year ended January 31 1982 pre-tax profits have fallen from £839,000 to £375,000, on slightly lower turnover of £57.02m (£57.58m). Second-half taxable figures show a reduction from £387,000 last time to £173,000.

In view of the year's results and in order to conserve cash resources, the board has decided to omit the final dividend. The interim payment of 0.441p net per 5p share therefore compares with the previous year's total of 1.141p.

However, the board does view the current year with more confidence and although it is too early to quantify the likely improvement expected in profitability, it is hoped that the level of profits in the current year will permit a restoration of the ordinary dividend.

Interest charges were little changed at £2.63m (£2.64m). With tax up from £367,000 to £555,000 and minorities taking £8,000 (£11,000) there was a loss of £188,000 before extraordinary items, compared with a £461,000 profit.

The programme of restructuring and rationalisation undertaken during the last two years has, for the most part, been completed. Extraordinary items—down from £1.16m to £0.51m—reflect the further costs incurred throughout the year, including final residual losses in Suede and Leathercraft.

Stated loss per 5p share has decreased from 0.88p to 0.37p.

In current cost terms, the pretax loss was £734,000 (£756,000).

Fortnum & Mason ends higher at £269,000

A SUBSTANTIAL improvement in operating results was shown by Fortnum and Mason which the directors state was behind a rise in pre-tax profits from £119,000 to £269,000 for the year to January 31 1982, compared with the previous 53 weeks.

They say that sales in the second half remained static during a period of refurbishment immediately prior to Christmas, compared with the previous year.

The directors add that there was an exceptional level of non-recurring costs for the year, mainly associated with the refurbishment of the ground floor, the revenue element of which had totalled £134,000.

The final dividend for this close company of 19.72p repeats the year's net total at 33.22p. At the interim stage pre-tax losses amounted to £123,000 on sales of £3.53m.

Sales for the year were higher at £8.59m, against £8.43m. At the trading level losses were shown but they were reduced from £322,000 to £81,000. Interest receivable was lower at £350,000 (£441,000).

Tax took £179,000 (£183,000). On a CCA basis attributable profits emerged at £90,000 compared with previous losses of £134,000.

Fortnum and Mason's ultimate holding company is Wittington Investments.

Electra Risk Capital invests in plastics

Electra Risk Capital has subscribed £225,500 for 50 per cent of the equity of Acutech International, under the terms of the Government's Business Start-up Scheme.

Acutech will manufacture plastic extrusions which accurately copy the grain and finish of different woods. The building and interior decoration industries are two markets the company aims to exploit.

Mr Michael Kirkby, the managing director of Acutech, will hold the remaining 50 per cent of the capital. An Electra nominee, Mr John Harrison will become the part-time executive chairman.

CRA arranges £150m of big new borrowings

BY KENNETH MARSTON, MINING EDITOR

WHILE WAITING for the current world recession to pass the Rio Tinto-Zinc group's 57.3 *per cent-owned Australian arm*, CRA, is cutting back expenditure, as are the other major mining groups. But mining is very much a forward-looking business and CRA is thus also arranging financing for its major *new long term projects*.

These include the big Tarong and Blair Athol coal projects in Queensland and the Ashton diamond joint venture in Western Australia. It is now reported that CRA has arranged a A$257.5m (£150m) multi-currency loan facility for the development of Tarong.

The lenders will have limited recourse to project cashflow and assets while the loan, lead managed by the Bank of New South Wales, will be drawn down in two parts. No interest rates *have been disclosed*.

Participants in the loan are: Bank of New South Wales, Australian Industry Development Corporation, Bank of America, Banque Nationale de Paris, Commercial Banking Company of Sydney, Commercial Bank of Australia, Commonwealth Trading Bank of Australia and the National Bank of Australasia.

The Tarong company is *contracted to supply 56m tonnes of* coal to the Queensland State Government's Tarong power station over 16 years from July 1984. Loan repayments will begin in 1986 from project cash flows with the final repayment due in 1993.

At the recent annual meeting in Melbourne Sir Roderick Carnegie, the CRA chairman, said that the group was well advanced in moves to borrow some A$800m, about halve of which would go towards boosting the group's working capital. The rest would be used for the new coal and diamond projects.

He stressed that no call would be made on CRA shareholders for new cash in the near future, although the group is suffering *its worst trading conditions for* over 20 years. Last year earnings dropped to A$12.5m from A$175m in 1980 and Sir Roderick forecast that CRA would suffer a loss in the first half of 1982.

Another cutback by De Beers

AS PART of its plan to reduce long-term capital spending in response to the worldwide slump in diamond demand, De Beers Consolidated Mines has decided not to go ahead with a proposed major expansion at one of the group's South African mines.

The Premier mine, close to the South African capital, Pretoria, has been in production since 1903. Apart from its function as a leading producer of industrial diamonds, Premier has yielded several famous gemstones, including the 3,106 carat Cullinan, the Niarchos and the Taylor-Burton.

Some years ago, De Beers established that Premier's kimberlite pipe continued below an 80-metre thick intrusion of waste rock known as the Gabbro Sill, with enough ore to carry the mine through at least another 50 years of operation.

It is principally development below the sill which has been hit by the group's latest proposed reduction in capital spending, which has resulted in the laying-off of almost 500 people, or about 12 per cent of Premier's workforce.

De Beers hopes that most of these people will be absorbed into other group operations, or possibly by its sister company Anglo American Corporation.

The expansion programme will be reviewed from time to time in the light of the prevailing conditions, and meanwhile Premier's diamond output of around 2m carats a year will not be affected.

For comparison purposes, De Beers' Letseng-la-Terai mine in Lesotho, which announced on Friday that it will close in a few months, produces just 53,000 carats a year.

Northgate's larger first quarter loss

LOW METAL prices combined with high interest charges to give Canada's Northgate Exploration a loss in the first quarter of 1982 of C$4.82m (£2.14m), compared with a profit in the first three months of last year of C$56,000.

The latest result represents a worsening against the loss of C$3.69m sustained in the final quarter of 1981.

The group's three new mines in the Chibougamau area of Quebec, Copper Rand, Portage Island and Lemoine, producing copper, gold, silver and zinc, recorded a small operating profit.

These mines were acquired from Patino of the Netherlands during the third quarter of last year, giving Northgate a new metal-producing base to replace the closed Tynagh operation in Ireland.

Mr Patrick J. Hughes, the group's chairman, told the annual meeting that the three new mines have "the potential to serve us for many years in the future."

However, he warned that the prospects for significant profits in the short term are masked by the current unusually depressed level of metal prices, and added: "Financially, 1982 will not be a good year."

AUSTRALIAN OIL HOPES

Approximately four barrels of oil have been recovered from initial testing of the Kibee 1 exploration well drilled in the Eromanga sector of Queensland's Cooper Basin. The oil was produced following a two-hour drill stem test of the interval 961 to 972 metres.

Kibee 1 is currently at a depth of 986 metres and is located in ATP 267P, 16 km southeast of the Jackson oilfield. A second drill stem test—over the interval 971 to 986 metres is now being carried out.

Interests in ATP 267P are Bannar Petroleum, 30 per cent, Bligh Oil and Minerals, 17.5 per cent, Offshore Oil, 12.5 per cent, Northern Michigan Exploration, 12.5 per cent,

Vehicle sales rescue Messina

SOUTH AFRICA'S Messina lost R5.6m (£2.89m) on its long-established copper mining operations in the six months to March 31. But thanks to the important industrial interests, which include the franchise for the assembly of Datsun vehicles, the company achieved a net profit for the period of R15.4m against R15.7m a year ago.

The interim dividend for the current year to September 30 has been maintained at 22.5 cents. A total of 60 cents was paid for the previous year to last September when earnings totalled R34.7m.

However, Messina expects a fall in earnings for the second *half of the current financial year*. It is pointed out that no improvement is likely on the mining side while motor vehicle sales have declined in line with the general economic downturn.

In addition, vehicle profit margins have been reduced following the devaluation of the rand and the imposition of the South African import surcharge.

THE TRING HALL
USM INDEX
122.9 (−0.1)
Close of business 17/5/82
BASE DATE 10/11/80 100
Tel.: 01-638 1591

LADBROKE INDEX
Close 575-580 (−11)

Companies and Markets

BIDS AND DEALS

Buyer of Grindlays stake to be revealed

GRINDLAYS HOLDINGS, the company which owns 51 per cent of Grindlays Bank and is 41 per cent owned by Lloyds Bank, expects to learn tomorrow who has bought an 11 per cent stake in its equity.

Mr Alex Ritchie, chief executive of Grindlays Holdings, said yesterday he was told on Friday of the purchase of the 11 per cent shareholding, but knew only that the seller was Mass Development, a Bahraini company, owned by Mussad Al Saleh of Kuwait. Mass Development built up its stake in early 1980 "as an investment."

Mr Ritchie said that at yesterday's stockmarket price of 220p the 11 per cent stake would have cost more than £8m. Commenting on rumours that the price may have been 275p, he said: "That would have been a touching expression of faith in the management of the bank."

The purchaser of the stake, said Mr Ritchie, was thought to be "an overseas buyer." But he knew of no bid in the offing and believed the buyer was neither Lloyds Bank nor Citibank, which owns 49 per cent of Grindlays Bank.

Grindlays Bank has been the subject of takeover speculation for some time. Besides the 41 per cent Lloyds stake in the holding company and the 11 per cent stake sold by Mass Development, the remaining shares are held widely.

Cowan de Groot offshoots sold

Cowan, de Groot, the toy importer and electrical wholesaler, has sold the bulk of its electrical and hardware division to a UK subsidiary of Consolidated Electrical Distributors Inc for about £2.4m and the release of some £920,000 of associated bank borrowings.

The four subsidiaries sold—Hardman & Leigh, T. A. Stevens, Gordon Randow and A. Berkeley—produced profits of £120,000 pre-tax from a divisional total of £151,000 in the year to April 30 1981. The overall contribution from electrical and hardware dropped during that year from £1.47m.

Berkeley's cycle and accessories business has been retained.

Cowan, de Groot warned yesterday that trading conditions had remained difficult for the electrical interests in the financial year just ended and the group considered that "the interests of both shareholders and employees are best served by the sale of these companies."

The electrical and hardware division still comprises seven subsidiaries.

Part of the proceeds will be used to reduce gearing—56.5 per cent in the last published balance sheet—and the balance will be invested in the remaining businesses "to assist them to generate a greater return on capital employed."

An initial cash payment amounting to 80 per cent of the consideration was received last week and the balance will be satisfied by the issue of an accepted bill of exchange dated May 1984.

SIMON ENGINEERING

Simon Engineering has acquired the business of Penta Hydraulics Pty. of Brisbane, Australia, and has incorporated the operation into Henry Simon Australia, Sydney, under the name Simon Penta Hydraulics.

Penta sells and services hydraulic components and systems throughout Queensland. Its work is complementary to Henry Simon Australia's existing activities in the field of hydraulics engineering.

Granada's Whitley Bay stake sold to Coopers

THE Granada television and leisure group yesterday dropped plans to acquire Whitley Bay Entertainment and sold its shares to C. A. Cooper Corporation, a rival bidder.

Granada sold 292,608 ordinary 1p shares, 292,608 deferred 25p shares and 22,360 4 per cent 50p non-cumulative preference shares. The holdings represent 59.8 per cent of the ordinary shares and 80.4 per cent of the preference shares of Whitley Bay.

The refusal of Claude and Elsie Cooper, the owner of C. A. Cooper, to sell their holdings of 28 per cent of Whitley Bay's ordinary and 14.7 per cent of its preference shares persuaded Granada to withdraw, said Samuel Montagu, which has been advising the Coopers.

The new owners, who already have extensive entertainment interests in the North East and Scotland, expect to devote a considerable amount of time to developing the company, said the bank.

C. A. Cooper paid 408p for each ordinary share, 1p for each deferred share and 50p for each preference share. It will now make an unconditional offer for the remaining shares at the same prices.

Granada was thought to have clinched its bid for Whitley Bay in March 1981, when it declared its offer unconditional after receiving acceptances from a majority of the company's shareholders. Granada had offered 215p cash per share with the option of a more valuable Granada share alternative.

LONDON TRADED OPTIONS

May 17. Total Contracts 1,675 Calls 1,232, Puts 443

Option	Exercise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	260	62	12	70	–	–	–	314p
BP (c)	300	28	1	35	–	46	–	
BP (c)	330	11	10	19	–	26	–	
BP (p)	300	12	51	22	10	30	1	
BP (p)	330	28	–	34	8	44	–	
BP (p)	360	50	7	–	–	–	–	
CU (c)	140	5	25	13	26	17	2	134p
CU (c)	160	2	4	7	46	–	–	
Cons. Gld (c)	460	4	10	10	–	–	–	474p
Ctlds. (c)	70	22	3	25	–	–	–	90p
Ctlds. (c)	80	12	27	15	–	22	25	
Ctlds. (c)	90	7	386	11	–	15	–	
Ctlds. (c)	100	3	22	7	5	10	–	
GEC (c)	800	107	6	140	–	160	–	893p
GEC (c)	850	65	2	100	–	125	–	
GEC (c)	900	35	18	60	–	87	–	
GEC (p)	850	10	3	19	–	32	–	
GEC (p)	900	30	15	42	1	45	–	
Gr'd Met. (c)	180	42	–	47	10	–	–	220p
Gr'd Met. (c)	200	23	16	28	1	34	–	
Gr'd Met. (c)	220	10	46	16	20	20	–	
Gr'd Met. (p)	200	3	42	9	–	12	–	
Gr'd Met. (p)	220	13	163	19	–	–	–	
ICI (c)	280	46	1	–	–	–	–	318p
ICI (c)	330	13	5	20	–	31	–	
ICI (c)	360	3	10	11	–	15	–	
ICI (p)	300	7	1	10	–	16	–	
ICI (p)	330	19	14	26	–	30	–	
ICI (p)	360	48	–	50	2	–	–	
Land Sec. (c)	300	9	27	23	–	28	–	288p
Mks & Sp. (c)	130	32	2	35	–	38	–	159p
Mks & Sp. (c)	140	22	2	25	3	–	–	
Mks & Sp. (c)	160	8	–	12	10	16	–	
Mks & Sp. (c)	180	3	–	6	–	8	–	
Shell (c)	350	64	–	74	1	–	–	416p
Shell (c)	420	15	20	30	2	40	–	
Shell (p)	390	10	40	20	2	26	–	
Shell (p)	420	22	–	32	1	35	–	
		August		November		February		
Barclays (p)	460	17	–	27	–	–	–	468p
Imperial (c)	80	18	2	–	–	–	–	96p
Imperial (c)	90	8	20	24	–	–	–	
Imperial (p)	90	14	15	16	10	19	1	
Imperial (p)	100	7	175	10	70	12	–	
Lonrho (c)	70	8½	2	7½	5	8½	2	69p
Lonrho (c)	80	2	3	3½	12	5½	11	
Lonrho (p)	80	12	2	13	–	14	–	
P & O (c)	120	28	2	24	–	–	–	144p
P & O (c)	130	18	2	23	–	–	–	
P & O (c)	140	11	–	15½	3	21	–	
P & O (c)	150	5	–	8	2	11	–	
Racal (c)	390	25	3	45	–	55	–	418p
Racal (c)	460	9	–	20	56	35	–	
Racal (p)	390	10	1	17	56	22	–	
Racal (p)	420	22	5	28	–	37	–	
RTZ (c)	420	35	1	50	–	57	–	432p
RTZ (p)	420	15	4	25	–	35	–	

C=Call P=Put

Wellman buys part of Stone

WELLMAN BIBBY, the power transmission division of Welman Engineering Corporation, has bought the range of power transmission products made by Stone-Platt Transmission Products of Oldham. The cost of the deal, which took effect on April 23, has not been disclosed.

Transmissions, part of the Stone-Platt Industries engineering group which went into receivership in March, incurred a loss on its last year's turnover of £1.7m.

Net asset value of the transmission operation was about £1m at the end of 1981. Welman has not taken over its debtors and creditors but the assests purchased are not thought to differ substantially from that figure.

Wellman is still in an early stage of reviewing its purchase but it is prepared to invest capital to make it a going concern. The biggest problem it faces is of reviving business, which "withered" once receivers were appointed, Mr Michael Gara, Wellman's company secretary, said yesterday. It has begun a merketing campaign and is contracting former Stone-Platt customers.

Wellman will take on about 75 of the 95 employees, who were all made redundant when the receivers werec alled in.

The range of mechanical power transmissions produced by Wellman Bibby fits well with that of Stone-Platt Transmission Products, Mr Gara said.

Stone-Platt makes variable speed units, fluid couplings, magnetic clutches and brakes, motor disc brakes and variable speed pulley drives. Wellman Bibby has plants at Dewsbury and Staines, but does not at present make any of these products.

The sale of the transmission operation concludes the disposal of what was originally Platt Brothers' "enormous" business in Oldham, although large parts of Stone Platt activities elsewhere still remain to be sold, said Mr Bill Roberts, one of the two receivers.

Several groups have expressed interest in the big electrical side of the Stone-Platt operations but final disposal is expected to take some time.

WARD & GOLDSTONE

At the EGM of Ward & Goldstone the ordinary resolution to approve the disposal to Wessel Cable of Ward & Goldstone (Ireland) and its subsidiaries was passed.

Ward & Goldstone has been advised that Wessel has obtained the approval of the Corporate Assembly of A/S Norsk Kabelfabrikk (one of its shareholders) to the purchase by Wessel of the Irish subsidiaries.

Completion of the disposal is still subject to the Republic of Ireland's Mergers, Monopolies and Takeover (Control) Act, 1978 and Exchange Control Acts, 1954 to 1978.

ALTIFUND

Kuwait Investment Offices holding of Altifund income shares in 450,000 shares, 10 per cent of the income share capital.

Lucas places Automotive Products stake

Lucas Industries has placed the 11.75 per cent holding in brake and clutch manufacturer, Automotive Products. It built up between 1973 and 1977.

Lucas' interest is thought to have been stimulated by the strategic need to defend a major vehicle component manufacturer from the threat of foreign takeover, a threat which is now deemed to have evaporated. The AP board and various family trusts incorporated in the Channel Islands still control almost 40 per cent of the equity.

HAWLEY GROUP

Hawley Group has reduced its holding in Dufay Bitumastic to less than 5 per cent of the ordinary shares and no longer has a notifiable interest.

Cementation (Africa) ahead

Cementation Company (Africa), the South African structural steel, shaft-sinking and drilling company, controlled by Trafalgar House, was affected by higher interest and tax rates in the six months ended March 31, 1982.

However, activity has not yet been affected by the slowing rate of construction expenditure in the country.

First-half profit before interest and tax rose to R4.47m from R3.34m in the same period of 1981 and compared with R7.13m in the 12 months ended March 31 1981.

However, at the after-tax level first-half profit rose by only 10 per cent to R2.22m from R2.02m. In the year ended September 1981 after-tax profit was R4.29m.

An unchanged interim dividend of 11.5 cents is declared. First-half earnings rose to 35 cents from 33.1 cents a share. In 1980-81 earnings were 70.2 cents a share and a total dividend of 24 cents was declared.

WELLCO

Wellco Holdings proposes to change its name to Grosvenor Group.

Receiver for Massey Coggins

FOLLOWING financial difficulties over the last 12 months, joint receivers and managers have been appointed to Massey Coggins, the Toxteth-based electrical engineering and armature winding company.

The directors requested the bank to appoint the receivers—Mr Alan Griffiths and Mr David Rowlands of the Liverpool office of Thornton Baker.

Massey has been an important supplier to heavy engineering, shipping and nationalised industries, and has carried out considerable contracts for export.

Mr Griffiths said there are some 100 employees at Massey and he hopes to sell the company as quickly as possible in order to keep the skilled labour force intact.

WILKINSON WARBURTON

Wilkinson Warburton, distributor of textiles and carpets, is proposing to change its name to WW Group PLC. In March, the directors said they were reasonably confident of producing a satisfactory result for the current year.

BOND DRAWINGS

NOTICE OF REDEMPTION
EUROPEAN COAL AND STEEL COMMUNITY (E.C.S.C.)
US$15,000,000 6½% 20 Year Bonds of 1966 due 15th June, 1986

The Commission of the European Communities informs the Bondholders that a selection by lot for a principal amount of US$401,000 has been made for redemption in the presence of a Notary Public on 5th May, 1982 by Banque Internationale à Luxembourg S.A.

The serial numbers of Bonds selected by lot are as follows:—

10142 10152	10154	10157 to 10168	10172 to 10190	10193 to 10204
10214 to 10217	10222 to 10226	10229 10230	10234	10237 to 10294
10297 to 10303	10309 to 10311	10315 to 10317	10321	10346 to 10365
10378 to 10386	10393 to 10400	10501 to 10519	10525	10568 to 10579
10581 to 10583	10585	10608 to 10613	10618 10619	10624 10625
10640 to 10645	10663 10677	10682 to 10685	10697 to 10701	10733 10734
10747 to 10751	10757 to 10773	10780 to 10783	10792 to 10794	11063 to 11082
11093 to 11108	11113 11114	11121 to 11127	11136 to 11142	11200 11201
11206 to 11215	11220 to 11225	11228 to 11235	11269 to 11282	11284 to 11287
11291 to 11299	11343 to 11347	11350 to 11358	11363 11364	11378 to 11384
11398 to 11401	11404 11405	11446	11462 to 11466	11503 to 11507
11510 11519	11520 11550	11565		

Principal amount of Bonds purchased: US$ 599,000
Principal amount due for redemption: US$1,000,000
Principal amount unamortised after 15th June, 1982: US$4,000,000

The Bonds selected by lot will be reimbursed on/or after 15th June, 1982 with the coupon due 15th June, 1983 and following attached in accordance with the terms of payment mentioned on the Bonds.

13th May, 1982

COMPANY NOTICES

N.V. NEDERLANDSE GASUNIE
UA 20,000,000 11¼% 1981/1988 Bonds

Notice is hereby given to Bondholders of the abovementioned loan that the amount redeemable on July 1, 1982, i.e. UA 1,000,000 was bought in the market.

Amount outstanding: UA 19,000,000

THE FISCAL AGENT
KREDIETBANK
S.A. LUXEMBOURGEOISE

Luxembourg, May 18, 1982

NOTICE OF REDEMPTION

To the holder of the notes payable in United States dollars of the issue designated 9¼% Guaranteed Notes due 1982 Marriott Overseas Corporation N.V. final redemption due June 15, 1982 of US Dlrs 4,500,000.-

Public notice is hereby given that Marriott Overseas Corporation N.V. intends to and will redeem for final mandatory redemption purposes on June 15, 1982 pursuant to the provisions of section 6 of the notes. All of the 4,500 notes of the above mentioned issue, remaining in circulation, shall be redeemed at 100 percent of the principal amount and should be presented and surrendered for final mandatory redemption at the offices of Bank of America International S.A. Luxembourg, Bank of America N.T. & S.A., London Paris and Frankfurt Am Main, European Banking Company Limited in London, Bankers Trust Co. of New York, Kuwait Investment Company in Kuwait and Kredietbank S.A. Luxembourgeoise, Luxembourg on or after June 15, 1982. Interest on said notes will cease to accrue on June 15, 1982. Accrued interest to final redemption date June 15, 1982 will be paid on a 360 days basis, so that interest of US Dlrs 97.50 will be paid for coupons dated June 15, 1982.

For Marriott Overseas Corporation N.V.
By Bank of America International S.A., Luxembourg
(Fiscal agent and principal paying agent)

Luxembourg, May 17, 1982

TOKYO SANYO ELECTRIC CO., LTD. (CDRs)

The undersigned announces that the Annual Report for the year ended November 30th, 1981 of Tokyo Sanyo Electric Co., Ltd. will be available in Luxembourg at:
Banque Générale du Luxembourg S.A.,
and further at:
Algemene Bank Nederland N.V.,
Amsterdam-Rotterdam Bank N.V.,
Bank Mees & Hope NV,
Pierson, Heldring & Pierson N.V.,
Kas-Associatie N.V.

AMSTERDAM DEPOSITARY COMPANY N.V.

Amsterdam, May 12th, 1982.

NOTICE TO THE HOLDERS OF BONDS OF THE ISSUE 9% 1977/95 OF $US 50,000,000 MADE BY THE EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the annual instalment of bonds amounting to $US 1,750,000 has been purchased for redemption on June 15, 1982.

Outstanding amount after June 15, 1982 $US 39,500,000.

L'Agent Financier
BANQUE DE PARIS ET DES PAYS-BAS
POUR LE GRAND-DUCHE DE LUXEMBOURG

THE BRAZIL FUND S.A.
SOCIEDADE DE INVESTIMENTO
D.L. NO. 1401

November 1975 and July 1977 Issue Bearer Depositary Receipts "BDRs" issued by European Overseas Issuing Corporation S.A.

DIVIDEND COUPON NO. 13

Coupon No. 13 will be payable from May 17, 1982 onwards at one of the undermentioned offices at the rate of US$143.49 per 1,000 Depositary Shares and US$1,434.90 per 10,000 Depositary Shares, less any additional withholding tax that may be deductible:
—The Chase Manhattan Bank (N.A.), Woolgate House, Coleman Street, London EC2P 2HD
—European Overseas Issuing Corporation, 11, boulevard Grande-Duchesse Charlotte, Luxembourg.

This amount represents the dividend of Cr.52.527 per share, less Brazilian withholding tax of 12% and the Depositary's commission of 1%.

May 18, 1982.

LEUMI INTERNATIONAL INVESTMENTS N.V.
US $60 MILLION GUARANTEED FLOATING RATE NOTES 1985

The interest rate applicable to the above Notes in respect of the six month period commencing Tuesday 18th May, 1982 has been fixed at 14$\frac{15}{16}$% per annum.

The interest amounting to US $76.35 per bond of US $1,000 nominal and to US $763.47 per bond of US $10,000 nominal will be paid on Thursday 18th November, 1982, against presentation of coupon No. 8.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

LONDON BRICK PUBLIC LIMITED COMPANY

NOTICE IS HEREBY GIVEN that:
1. The Transfer Books and Register of Preference Stock will be closed on 17th June, 1982.
2. The Transfer Books of the 14% Convertible Unsecured Loan Stock will be closed on 17th June, 1982 for the preparation of the interest warrants payable on 15th July, 1982.

By Order of the Board.
H. D. HOWE, Secretary.

Registrars:
Close Registrars Limited,
Arthur House,
803 High Road, Leyton,
London E10 7AA.

NOTICE OF ANNUAL REPORT OF SAAB-SCANIA AKTIEBOLAG SWEDEN

NOTICE IS HEREBY GIVEN that copies of the Annual Report of SAAB-SCANIA Aktiebolag as at December 31, 1981 are now available at:
Citibank, N.A.,
336 Strand,
London WC2R 1HB.

SAAB-SCANIA AKTIEBOLAG

COURSES

SCHOOL OF ORIENTAL AND AFRICAN STUDIES
(University of London)
EXTRAMURAL DIVISION
announce
INTENSIVE LANGUAGE COURSES FOR BUSINESSMEN 1982
Arabic 1 — 5-9 July
For complete beginners: spoken language only
Arabic 2 — 5-9 July
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Enquiries to: Graham Thomas, Assistant Organiser, Extramural Division
SCHOOL OF ORIENTAL AND AFRICAN STUDIES
Malet Street, London WC1E 7HP - Tel: 01-637 2388 ext. 578/584

PUBLIC NOTICES

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE
INVITATION TO TENDERS

1. Tenders are invited for the urgent supply of 1800 tonnes of bagged soft wheat flour for delivery on a fob stowed and trimmed basis to an EEC port. Loading shall commence no earlier than 7 June 1982 and no later than 14 June 1982.

2. Tenders are invited for the urgent supply of 5000 tonnes of bulk soft wheat for delivery on a fob stowed and trimmed basis to an EEC port. Loading shall commence no earlier than 7 June 1982 and no later than 14 June 1982.

The prices for the supply and transportation costs of the soft wheat and soft wheat flour for the above tenders will be determined on examination of the tenders which must be submitted by noon on Tuesday, 25 May, 1982 to:
Home Grown Cereals Authority
Hamlyn House
Highgate Hill
London N19 5PR

Notices of invitation to tender together with tendering forms may be obtained from:
Branch B (Cereals)
Internal Market Division
Intervention Board for Agricultural Produce
Fountain House
2 Queens Walk
Reading RG1 7QW
Tel: Reading (0734) 583626 Ext. 366/276.

PLANT AND MACHINERY

By Order of
Thomas Bolton & Sons Limited
DUE TO REORGANISATION

FOR SALE BY TENDER
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including:
Two Single Strand Horizontal Continuous Strip Casting Machines; Six Strand Vertical Continuous Casting Machine; Russ and G.W.B. Electric Melting Furnaces; Two WERTLI Electric Holding Furnaces; BIRLEC 5 Hearth Bright Annealing Plant; Three Morgan Gas Fired Tilting Furnaces, 1500-lb cap; McDonald Electric Rotary Hearth Furnace; Ajax 30-cwt Melting Furnace; Gibbons Gas Fired Annealing Furnace; Two Efco Electric Muffle Furnaces; Two Robertson 21 Die Fine Wire Drawing Machines; Three Deco Wire Flattening Mills; Wafios Automatic Wire Straightening & Cutting-off Machine; Unity, Winget & Brookes Bull/Rod ¾ Wire Blocks; Three W.H. Robertson 2 high Rolling Mills; Two W.H. Robertson 4 high Rolling Mills; 40in 2 high Rolling Mill; A.R.M. 14in max. width Coil Slitting Line; Jones High Speed Constant Tension Winding Unit; Tangye 200-ton Down Stroking Hydraulic Press; Fielding & Platt 1,000-ton Vertical Hydraulic Extrusion Press; Warner & Swasey 2AC/B Chucking Auto; Parkson 3NLA Horizontal Mill; Capstan & Turret Lathes, Shapers, Spot & Projection Welders; Wanson Steam Generator; Niles 17½in swing x 138in S.S. & S.C. Centre Lathe.

TENDERS DUE ON MONDAY, 5th JULY, 1982

Tender Forms from:

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Liverpool Tel: 051-236 8087
Bristol Tel: 0272 277482 Telex 44822

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STRIP ROLLING MILLS, TWO HIGH, FOUR HIGH, VARIOUS CAPACITIES.
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SHEET DECOIL FLATTEN & CUT TO LENGTH LINES, VARIOUS CAPACITIES.
WIRE DRAWING MACHINES, VARIOUS CAPACITIES AND TYPES.
DRAWBENCHES, VERTICAL & HORIZONTAL BULL BLOCKS, SWAGERS.
ROD & WIRE DECOIL, STRAIGHTEN CUT TO LENGTH LINES, ALL SIZES.
BAR & TUBE REELING, SECTION STRAIGHTENERS, VARIOUS CAPACITIES.
SHEET FLATTENING ROLLS, SECTION ROLL FORMING MACHINES.
SCRAP BALING PRESSES, SHEARS, SAWS, VARIOUS CAPACITIES.

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75008 Paris, France
or phone Paris (1) 288.53.40

PERSONAL

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own a magnificent
Monet, Renoir, Van Gogh, Toulouse Lautrec

Private collector has for sale these signed unique oil paintings by the master forger of our own time, the late Elmyr de Hory.
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ART GALLERIES

THE PARKER GALLERY, 2, Albemarle St., Piccadilly, W1. Exhibition of Old Marine, Military and Sporting and Topographical Prints and Paintings of Ships Models.

ARCHITECTS ASSOCIATION, 36, Bedford Sq., W.C.1. Recent Paintings of London and York by BRYAN SENIOR. GLC "Spirit of London" prizewinner 1982. Daily 10-7. Sats. 10-3 till 21 May.

AGNEW GALLERY, 43, Old Bond St., W1. 629 6176. MASTER PAINTINGS 1470-1820. Also late Turner Watercolours. Until 30 July. Mon.-Fri. 9.30-5.30: Thurs. until 7.

COVENT GARDEN GALLERY, 20, Russell St., WC2. 836 1139. A Selection of Decorative and Interesting Early British Watercolours and Drawings. OPENS TODAY. Until June 4th Dly. 10-5.30. Thurs. 7. Sats. 10-12.30.

COLNAGHI, 14, Old Bond St., W1. 01-491 7408. 19th CENTURY FRENCH DRAWINGS until 11 June. Mon.-Fri. 10-6, Sat. 10-11.

NICOLA JACOBS GALLERY, 9, Cork St., London, W1. 01-437 3868. Gary Wragg paintings until 10th June.

BLOND FINE ART, 33, Sackville St., W1. 437 1230. BRITISH PAINTINGS 1910-1950. Until 22 May.

RICHARD GREEN, 44, Dover St., W1. 01-491 3277. ANNUAL EXHIBITION OF BRITISH LANDSCAPE PAINTING. Daily 10-6. Sats. 10-12.30.

RICHARD GREEN GALLERY, 4, New Bond St., W1. 01-499 5487. EXHIBITION OF FRENCH PAINTINGS. Daily 10-6, Sats. 10-12.30.

EXHIBITIONS

ARCHITECTS ASSOCIATION, 36, Bedford Sq., WC1. Recent Paintings of London and York by BRYAN SENIOR. GLC "Spirit of London" prizewinner 1982. Daily 10-7. Sats. 10-3 till 21 May.

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EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 01-734 0557.

HANOVARIAN NIGHTCLUB and Res., 9, Hanover Street, W1. Where today's businessman can enjoy and exciting and relaxing evening. Charming and discreet dancing partners available nightly 9 pm-3 am. Recommended to ring for res. on 01-408 0269.

THE GASLIGHT OF ST. JAMES'S. London's most exciting businessman's night club. No membership needed. 2 bars, dozens of danceable companions. Intriguing Cabaret Acts. Happy Hour 8-9 pm. If required, superb three-course dinner, only £9.75, plus service and tax. Entrance fee £5.75 (£5 refunded to diners ordering before 9 pm). Open Mon.-Fri. 8 pm-2 am, Sat. 9 pm-2 am. 4 Duke of York Street, W1. Tel. 01-430 7242.

Redeveloping the recession's factory wasteland

By Andrew Taylor

BRITAIN'S industrial centres have become littered with "For Sale" and "To Let" signs as the recession has shut down thousands of redundant factories.

The UK faces a mounting problem over what to do with this ageing second-hand factory stock. Brave attempts are being made by local authorities, developers and industrialists to refurbish and subdivide some of the larger more modern premises. Rents are being offered at bargain basement prices to encourage tenants. For some buildings, however, demolition and redevelopment may be the only answer.

Landlords and factory owners have been offering prospective tenants a wide range of incentives to persuade them to take space. Special deals advertised in the last six months have included:

A free Mini Metro offered to any tenant taking a 9,500 sq ft factory in the West Midlands; cash payments of up to £12,000 offered to prospective industrial tenants in south east London; rent free periods of up to a year offered on units on brand new industrial estate at Solihull, near Birmingham.

Never before have so many empty factories been on the market at the same time. At the end of last year King and Co., one of the country's leading firms of industrial estate agents, estimated that there was almost 146m sq ft of vacant factory and warehouse space in England and Wales, alone. This compares with just 54m sq ft on the market at the end of 1979.

King and Co. which is due to publish a new survey shortly says the market for industrial property has improved since the winter. None the less, lettings and sales remain far from easy to achieve and vast quantities of unused industrial accommodation lies idle in areas like the West Midlands, the North East and North West.

Even more modern second hand factories—some built less than 15 years ago—have found it difficult to attract new occupiers. There has been limited demand for some of the large sprawling plants situated in more depressed regions which were built to house mass production labour intensive industries.

For example, the recession in the car industry has thrown up a number of large, highly specialised plants, no longer required by manufacturers like BL and Talbot. BL now has about a dozen industrial and commercial properties on the market including major car plants at Coventry, Solihull and Speke near Liverpool.

Talbot still has to find a buyer for its Linwood assembly plant in Scotland, once described as the most modern plant in Europe.

The largest part of BL's 1.2m sq ft Speke plant has been lying empty since TR7 assembly ceased at Liverpool in 1978. Only recently has it been suggested that a local Merseyside developer may buy the 112-acre site which at one stage housed around 5,600 workers and was only developed by BL in the late 1960s.

Prospects for a sale have been enhanced since the plant was included within the boundaries of the Speke Enterprise Zone which offers prospective tenants and developers a wide range of incentives including a 10-year holiday from paying local authority rates. Even so the eventual purchase price is likely to be somewhat less than BL's original asking figure of £10m.

The over-supply of second-hand factories has been accentuated by a steady stream of new industrial development continiuing throughout the recession.

Mason Owen & Partners, BL's agents at Speke, are critical of the large numbers of nursery factory units which have been developed by local authorities, the state-backed English Industrial Estates and private developers seeking to take advantage of government tax relief schemes.

Hugh Routledge

BSC's former steelworks at Consett now being demolished.

Some leading industrialists have gone into the redevelopment business themselves to dispose of unwanted property. They point out that it costs them money to maintain and keep secure a redundant factory. Local authority rates—up to 50 per cent of normal rate bills—may have to be paid on empty buildings. If a factory is too specialised, or simply outdated, a sale will be difficult to achieve. Redevelopment may offer better scope.

Birmid Qualcast, for example, is seeking detailed planning permission to redevelop approximately 30 acres of land around its headquarters building in Smethwick, Birmingham. The site which at one stage housed 3,000 Birmid foundry workers is to be cleared to provide three separate but adjacent modern industrial estates. Birmid plan to retain the development as an investment.

Courtaulds which like Birmid established its own property company last year has several possible development schemes in the pipeline. Mr Allan Hertz, chief executive of Courtaulds Industrial Estates, says the establishment of a development subsidiary gives Courtaulds a broader range of options when considering the future of its former factories.

"We can simply sell a factory as it stands; refurbish and subdivide larger plants to create a more acceptable range and standard of industrial units; or demolish and fully redevelop a site," says Mr Hertz.

At Courtauld's former Carrickfergus plant, in Northern Ireland, around 500,000 sq ft of refurbished industrial accommodation is planned. Around 200,000 sq ft, in about a dozen units, has already been completed and let.

At Aintree, near Liverpool, Courtaulds is carrying out a joint development with Portal Developments. This will involve substantial demolition and the refurbishment of up to 700,000 sq ft in various sized industrial units. Five units have already ben let on discretionary terms.

GKN is another industrial company which has gone into redevelopment. This time in partnership with William Sapcote, the West Midlands developer. GKN and Sapcotes plan two developments at former GKN factories at Darlaston and Wolverhampton. These will involve the creation of around 250,000 sq ft of industrial space on each site—in units varying from 800 sq ft to 20,500 sq ft. The schemes will also provide some offices.

For industrialists to turn property developer is not an entirely new concept. Pilkington has been in the business of redeveloping its redundant factories and glassworks for almost a decade. The company has recently been involved with the Co-operative Insurance Society in developing the 124,000 sq ft Albion Motorway Industrial Park on the southern end of Pilkington's former Chance Brothers works in Birmingham. Lettings have been slow but have picked up recently.

British Steel Corporation also has a well established campaign to redevelop some of its works in partnership with private sector investors and developers. Presently BSC is seeking to attract up to £90m of private money to redevelop one of the largest industrial sites in the country on 150 acres of BSC land at Bilston in the West Midlands. The project is expected to take at least 10 years.

The problem of redundant factories is not just one of recession. Tenants will not be found for some of the plants even when economic recovery is well under way. They are the wrong building, in the wrong place at the wrong time and have been overtaken by technical and social changes.

Greatly improved road transport, changing patterns in consumer demand, improvements in manufacturing techniques and the expansion of service and distribution industries have all influenced the manner in which industry wishes to be housed. High technology companies group together in towns like Bristol and Swindon; just as car companies, earlier this century, gravitated to the West Midlands.

These pressures on companies to replace ageing factory stock have been accentuated by the recession so that the process of change has been concentrated into a very short time span.

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

Head Office: The Financial Times Limited, Bracken House, 10 Cannon Street, London EC4P 4BY. Telex: 8954871. Telex: (Advertising) 885033. Telegrams: Finantimo, London. Telephone: 01-248 8000. Frankfurt Office: The Financial Times (Europe) Ltd., Guiollettstr. 54, D-6000 Frankfurt-am-Main 1, West Germany. Telex: 416193. Telephone: 7598-0. Editorial: Frankenallee 71-81. Telex: 416052. Telephone: 7598 157.

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

Amsterdam: P.O. Box 1296, Amsterdam-C. Telex: 16527. Tel: 276 796.

Birmingham: Editorial and Advertising George Hse., George Rd., B15 1PG. Telex: 338650. Tel: 021-454 0922.

Bonn: Pressehaus 11/104 Heussallee 2-10. Telex: 8869542. Tel: 210039.

Brussels: 39 Rue Ducale. Telex: 23283. Fax: 512 1404. Tel: 512 9037.

Buenos Aires: Edificio Sfico Piso 7, No. 74 Avenida Corrientes 456, Codigo 1366. Tel: 394-7696.

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Dublin: 25 South Frederick St., Dublin 2. Telex: 25414. Tel: Dublin 603378.

Edinburgh: Editorial and Advertising 37 George Street, EH2 2HN. Telex: 72484. Editorial Tel: 031-226 4120. Advertising Tel: 031-226 4139.

Frankfurt: Editorial Frankenallee 71-81. Telex: 416052. Tel: 7598 157. Advertising Guiollettstr. 54. Telex: 416193. Tel: 7598-0.

Hong Kong: Room 302, Hang Chong Building, 5 Queens Road Central. Telex: 75204 HX. Tel: 5-235166.

Johannesburg: P.O. Box 2128. Telex: 8-6257. Tel: 838-7545.

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Washington: Editorial 914 National Press Building, Washington D.C. 20045. Telex: 440340. Tel: (202) 347 8676.

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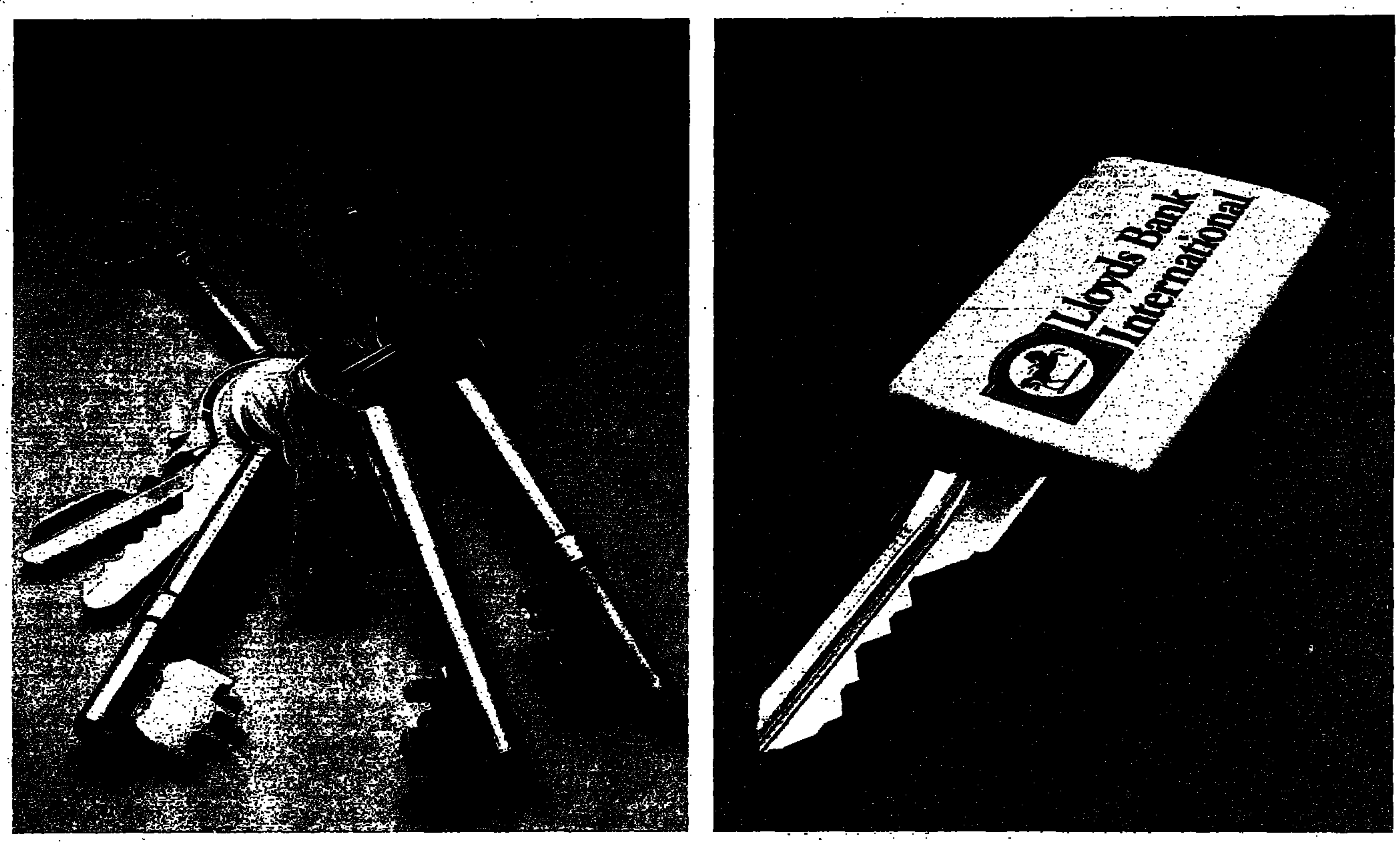

Bardsey expands sharply: returns to dividend list

A SHARP upturn in pre-tax profits from £142,000 to £842,000 is reported by Bardsey for the year ending December 31 1981 and the group is returning to the dividend list with a payment of 0.3p net which reflects the directors' confidence in continuing profitability.

After six months this industrial, property and investment holding concern was already well ahead with profits at the pre-tax level at £504,000 (£61,000).

Full year turnover jumped from £6.66m to £22.04m.

There was a tax credit of £60,000, against a charge last time of £35,000, and after extraordinary debits of £155,000 (£72,000) and minorities this time of £10,000 the attributable surplus emerged at £737,000, compared with £15,000, from which dividend payments will absorb £425,000 (£117,000).

Stated earnings per 10p share came through at 2.27p (0.24p loss).

The directors say that much activity has been devoted to placing new acquisitions made during the year on a sound and profitable footing.

The industrial division has been rationalised and reorganised. It is pointed out that taking the acquisitions of Abbott Birks and RCF Holdings together, Bardsey is now the largest specialist distributor in the UK hand tool industry—the business of Abbott is predominantly with large industrial companies while that of RCF is with retail and merchant outlets.

Improved trading results are showing through at Rabone Chesterman (specialised measuring equipment and hand tools manufacturer) for the first time in years following cost reductions, improved efficiency at the factories and the introduction of new products.

Of the companies within the original Bardsey group, Hensher has performed well against the trend for furniture manufacturing as a whole. The self adhesive tape manufacturing and distribution operation has been restructured through the acquisition of Leon Davis. The activities of this operation are now carried out from one location at Milton Keynes and improved trading results are expected.

The directors have been successful in building up a substantial and balanced portfolio of properties and the division is also expected to contribute steadily to group profits.

The directors say their present policy is to consolidate and develop the group's existing activities. However, should opportunities arise for acquisitions which are compatible with existing operations they say sufficient funds are available.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Northern American Trust, Northern Industrial Improvement Trust, Yorkshire and Lancashire Investment Trust.

Finals:—Alpine Holdings, Anglo American Coal, British-Borneo Petroleum, Dupont, C. E. Heath, Amos Hinton, London and Lennox Investment Trust, Walter Runciman, Thomas Warrington.

FUTURE DATES

Interims—	
Allied London Properties	May 19
French (Thomas)	June 18
North British Steel	May 24
Ranks Hovis McDougall	May 25
Finals—	
Beechwood Construction	June 15
Bradford Property Trust	June 15
Caird (A.)	May 24
Goldberg (A.)	May 21
Plessey	May 27
Sandhurst Marketing	May 27
Valor	June 9

James Beattie down £0.6m

WOLVERHAMPTON RETAIL department store group, James Beattie reports profits, before tax, down from £3.59m to £2.99m for the year ended January 31 1982, following a first half drop from £1.02m to £695,000. Full-year turnover was static at £38.08m, against £38.5m.

The dividend of this close company is 4.75p (4.5p). A one-for-one scrip issue is proposed.

The pre-tax profit included interest on short-term loans of £619,715 (£670,350), and was struck after charges of £402,418 (£397,400) including depreciation of £266,803 (£264,947). Providing for tax of £1.4m (£1.63m), the net profit comes through at £1.59m (£1.96m) giving earnings per share of 13.87p (17.14p).

Mr James Beattie, chairman, reports that sales in the first quarter of the current year show an increase of 4 per cent compared with the same period of last year.

Referring to costs the chairman says that 12 months ago he reported that costs of operation were 12 per cent above the previous year. This time the figure is 4 per cent and in the current year he hopes that, excluding expenditure of a special nature, there will be no increase at all.

The chairman says that the improvement could have been greater had the group made more members redundant "but this is a course repugnant to us."

Some of the group's problems would have been less had it traded in more favourable conditions. "As it was we continued to suffer from the world recession and its particular influence on the West Midlands."

However, the group is taking aggressive action to gain a larger share of the market "leading hopefully to increased sales," says Mr Beattie.

Shareholders funds at January 31 amounted to £11.79m (£10.74m). Net current assets totalled £8.27m (£7.21m)—short-term investments stood at £6.05m (£5.3m). There was a net increase in cash resources during the year of £728,209 (£237,540 decrease)—representing an increase in temporary loans of £750,000 (£99,940) and an increase in bank overdraft of £21,791 (£337,480).

Meeting, Wolverhampton, June 8 at 2.30 pm.

M. J. Gleeson profits up

DESPITE a drop in turnover from £29m to £23m, M. J. Gleeson group reported a rise in pre-tax profit from £465,000 to £683,000 for the half year to December 31 1981.

The directors of this civil engineering, building contractor and property development group, formerly M. J. Gleeson (Contractors), say this expected rise reflects the increasingly important contribution from non-trading sources of income—rents and interest receivable.

Because of this, the interim dividend is raised to 1.1p (1p) net per share. The previous year's total was 2.85p. Stated earnings per 10p share were 6.36p, against 4.22p.

Tax was up to £47,000 from £43,000 (restated according to the already adopted change in accounting policy for deferred taxation).

The directors expect the lower turnover to be reflected in the year-end accounts but say the improvement in the order book suggests a gradual return to higher turnover.

Western Selection advances

THE CONTINUING advance at the Duratube & Wire subsidiary was one main reason for the rise in profit at Western Selection and Development finance company. For the half year to March 31, 1982, group pre-tax profit was £291,670, against £211,500.

Pre-tax profit at Duratube & Wire rose 15 per cent to £197,000 despite rising costs and pressure on margins, on record turnover. The directors say export orders have increased and the order book is most satisfactory.

They expect the second half year to show further progress if trading conditions remain favourable.

Depreciation was £72,560 (£59,780) and interest payments came to £21,050 (£20,830), but included dividends and interest received of £110,630 (£46,900) and profit on sale of investments of £51,240 (£36,720).

Turnover was up from £3.38m to £4.24m.

The interim dividend is maintained at 1p net per share. Last year's total of 2.3p was paid from pre-tax profit of £461,000. Earnings per 20p share were given as 1.85p (1.47p).

Tax took £108,000 (£102,000).

Higher receipts of dividends, interest and investment dealing profits from the increased capital available after the rights issue are also cited as factors in Western's advance.

Charterhouse Petroleum

OIL SALES by Charterhouse Petroleum for the first quarter of 1982 reached a record £5.3m, Dr Jack Birks, chairman, told the annual general meeting in London.

He said the company was embarking on a big North Sea drilling programme, covering blocks 20/S, 12/27 and 20/2, for a 1982 spendinb budget of £7.4m.

Drilling in block 20/2 had already been successful and seismic studies would start in July in block 13/19, where Charterhouse was the operator. Preliminary results in Abu Dhabi had confirmed the potential of the concession there.

It was hoped to announce the award of more licences soon, Dr Birks said, and the company was constantly reviewing the possibility of acquisions.

Phoenix premium growth difficulties

THE ANNUAL report and accounts of Phoenix Assurance, celebrating its bicentenary, state that the recession in the UK economy and intense competition for all classes of business make it very difficult to generate adequate premium growth.

The company only achieved a modest 6 per cent rise in UK premium income, with this growth coming from private householders business. Industry fire and consequential loss business showed a drop in premium income.

Mr Jocelyn Hambro, in his chairman's statement, amplified the effect of low premium growth on the general insurance business of the company.

He pointed out that there were two factors which contributed to the underwriting results—the claims cost and expenses. Everyday occurrences were becoming more frequent as a source of claims and more costly to settle. This was currently absorbing most of the premiums received leaving little or no margin to cope with the unexpected claims.

He went on to state that the company had paid considerable attention to the matter of expenses and the development of new computer systems had enabled the company to handle increasing amounts of business without proportionate increases in costs.

As already reported, pre-tax profits in 1981 fell slightly from £32.2m to £30.1m, following a strong rise in underwriting losses from £20.6m to £35.4m.

The value of long-term insurance funds of the group rose by over £110m last year to £747m, with premium income rising nearly 40 per cent to £151m and investment income by 20 per cent to £70.6m. Claim payments were 10 per cent higher at £76.2m, while expenses rose over 25 per cent to £37.5m.

Mr Hamro referred to the increasing importance of life and pensions business in the group and its growing importance in the contribution to group profits.

Schroder's 10% stake in U.S. film company

J. Henry Schroder Corporation, the U.S. investment banking arm of J. Henry Schroder Wagg & Co., has taken a $250,000 stake in 21st Century Distribution Corp, America's third biggest independent film distributors, whose shares are traded on the London Stock Exchange.

Corporation has effected the deal with the purchase of a $250,000 promissory note from 21st Century to be exchanged for common stock and shares of a new Class A non-voting common stock which will be the equivalent in the aggregate of 10.4 per cent of the total capital of 21st century.

Schroder backing for 21st Century will provide a much stronger and wider base for the company's operations and will allow them to expand further in European and international markets.

21st Century distributes worldwide full length motion pictures and other entertainment programming to cinemas, the video disc and video cassette markets: television, including network: syndicated, cable and pay TV: institutions; the armed forces: hotels and colleges and represents i/dependent producers for the sale of their motion pictures.

See Men and Matters

BASE LENDING RATES

A.B.N. Bank	13 %	Robert Fraser	14 %
Allied Irish Bank	13 %	Grindlays Bank	‡13 %
American Express Bk.	13 %	■ Guinness Mahon	13 %
Amro Bank	13 %	■ Hambros Bank	13 %
Henry Ansbacher	13 %	Heritable & Gen. Trust	13 %
Arbuthnot Latham	13 %	■ Hill Samuel	§13 %
Associates Cap. Corp.	13 %	C. Hoare & Co.	†13 %
Banco de Bilbao	13 %	Hongkong & Shanghai	13 %
BCCI	13 %	Kingsnorth Trust Ltd.	14 %
Bank Hapoalim BM	13 %	Knowsley & Co. Ltd.	13½%
Bank Leumi (UK) plc	13 %	Lloyds Bank	13 %
Bank of Cyprus	13 %	Mallinhall Limited	13 %
Bank Street Sec. Ltd.	14 %	Edward Manson & Co.	14 %
Bank of N.S.W.	13 %	Midland Bank	13 %
Banque Belge Ltd.	13 %	■ Samuel Montagu	13 %
Banque du Rhone et de la Tamise S.A.	13½%	■ Morgan Grenfell	13 %
Barclays Bank	13 %	National Westminster	13 %
Beneficial Trust Ltd.	14 %	Norwich General Trust	13 %
Bremar Holdings Ltd.	14 %	P. S. Refson & Co.	13 %
Brit. Bank of Mid. East	13 %	Roxburghe Guarantee	13½%
■ Brown Shipley	13 %	E. S. Schwab	13 %
Canada Perm't Trust	13½%	Slavenburg's Bank	13 %
Castle Court Trust Ltd.	13½%	Standard Chartered	‖13 %
Cavendish G'ty T'st Ltd.	14 %	Trade Dev. Bank	13 %
Cayzer Ltd.	13 %	Trustee Savings Bank	13 %
Cedar Holdings	13 %	TCB Ltd.	13 %
■ Charterhouse Japhet	13 %	United Bank of Kuwait	13 %
Choulartons	13½%	Whiteaway Laidlaw	13½%
Citibank Savings	¶12¾%	Williams & Glyn's	13 %
Clydesdale Bank	13 %	Wintrust Secs. Ltd.	13 %
C. E. Coates	14 %	Yorkshire Bank	13 %
Comm. Bk of Near East	13 %		
Consolidated Credits	13 %		
Co-operative Bank	*13 %		
Corinthian Secs.	13 %		
The Cyprus Popular Bk.	13 %		
Duncan Lawrie	13 %		
Eagil Trust	13 %		
E.T. Trust	13 %		
Exeter Trust Ltd.	14 %		
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	15½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1-month 10.25%. Short term £8,000/12 month 12.6%.
† 7-day deposits on sums of: under £10,000 10¼%, £10,000 up to £50,000 11%, £50,000 and over 11½%.
‡ Call deposits £1,000 and over 10%.
§ 21-day deposits over £1,000 11¼%.
‖ Demand deposits 10¼%.
¶ Mortgage base rate.

SPAIN

May 14	Price %	+ or −
Banco Bribao	344	
Banco Central	335	
Banco Exterior	302	
Banco Hispano	310	
Banco Ind. Cat.	114	
Banco Santander	325	
Banco Urquijo	204	
Banco Vizcaya	358	
Banco Zaragoza	244	
Dragados	148	
Espanola Zinc	69	
Fecsa	65.7	
Gal. Preciados	38	
Hidrola	67.2	
Iberduero	53.2	
Petroleos	90	
Petroliber	99	
Sogefisa	6	
Telefonica	71.2	
Union Elect.	66	

هكذا من الأصل

مكتبة ابن الأصيل

UK COMPANIES

Fees rise aids Clement Clarke

PROPOSED INCREASES in optical professional fees could improve the cash flow for **Clement Clarke (Holdings)**, the dispensing opthalmic and manufacturing opticians and precision and surgical instrument makers, says chairman Mr John Clarke.

He says that interim increases already awarded to opticians will help the group's profitability. The instrument sector appears more buoyant in certain areas and there is hope of further defence contracts, says Mr Clarke.

Although the economic forecasters tend to suggest the recession is near the end, "our home retail sales are still not showing a really worthwhile increase over last year." The NHS optical charges to the public were increased on April 1 and "we have yet to see the possible effect on sales for the rest of the year," says the chairman.

Mr Clarke says his overall view is still one of caution, although a more positive assessment will be possible when the findings of the Office of Fair Trading (on opticians fees) are published. "I am confident that our broad trading base will again see us through the trials ahead and I look forward to satisfactory results for 1982."

As reported profit rose from £1.33m to £1.62m for 1981 after being lower at halftime. Turnover moved ahead from £12.53m to £13.51m. The dividend is raised from 2.665p to 3.0075p.

The chairman says that the group again had a successful year overseas, with export sales up from £1.5m to £1.7m despite the stronger pound which made sales harder to achieve.

The chairman says that the results have taken into account the interim increase in fees paid to opticians for 1981 together with the arrears of fees paid in respect of prior years. These are included at £382,798.

The dispensing optical companies had a relatively dull trading year, with total sales up only 10.5 per cent and profits were lower. The addition of the arrears fees however made a worthwhile increase in net profits.

The opthalmic optical companies' sales were up by 8.5 per cent and again the year's profits were lower but were subject to the arrears of fees. The end results for the optical retail outlets showed a "very satisfactory profit" says the chairman.

Group shareholders funds at the year end showed an increase from £5.47m to £6.15m. Net current assets were up from £2.1m to £2.35m—bank balances short term deposits and cash were down from £575,333 to £363,785. There was a decrease in net liquid funds of £331,440 (£122,247 increase).

Meeting, 116 Pall Mall, SW, June 9 at noon.

RESULTS AND ACCOUNTS IN BRIEF

JAMES WILKES (maker of business forms and equipment)—Results for 1981, reported May 1, with prospects. Group fixed assets £1.05m (£1.42m). Current assets £3.02m (£4.45m); current liabilities £1.75m (£2.75m). Shareholders' funds £2.28m (£3.08m). Bank balances and cash increased £868,139 (£111,304 decrease). Meeting, Bilston, West Midlands, June 7.

UNITED PARCELS (express carrier)—Results for year to January 30, 1982, reported April 21. Shareholders' funds £21.3m (£17.48m). Fixed assets £19.35m (£15.27m). Net current assets £1.57m (£1.93m). Net inflow of funds £418,000 (£13,000 outflow). Net increase in working capital £418,000 (£113,000 decrease). Chairman says current year has started well and he confidently anticipates another satisfactory result. Meeting, Sywell, Northants, June 9.

NORTH BRITISH CANADIAN INVESTMENT COMPANY—Results for year ended February 28 1982 reported April 5. Listed investments, at market value, in UK £8.06m (£7.74m): abroad £0.55m (£0.15m): unlisted £0.2m (£0.1m): cash £0.59m (£0.55m). Meeting, Edinburgh, June 4.

HIGGS AND HILL (international construction and property group)—Results for 1981 with prospects reported April 7. Group shareholders' funds £21.69m (£19.28m). Fixed assets £16.14m (£14.08m). Net current assets £7.99m (£7.69m). Increase in net liquid funds £6.94m (£1.33m). Meeting, Waldorf Hotel, WC, June 11, at 12.15 pm.

BENTALLS (department stores)—Results for year ended January 30 1982 already known. Shareholders' funds £16.97m (£15.99m). Capital employed £17.91m (£16.97m). Fixed assets £14.57m (£13.05m). Net current assets £3.34m (£3.92m). Increase in net liquid funds £0.12m (£1.52m). Meeting, Kingston upon Thames, June 8, noon.

A. AND C. BLACK (publisher)—Results for 1981 already known. Group fixed assets £445,000 (£463,000). Net current assets £1.02m (£0.97m). Shareholders' funds £1.26m (£1.2m). Bank overdrafts nil (£142,000). Board's confidence in future remains high and it shall continue to seek out fresh publishing ventures. Meeting, 33, Bedford Row, WC, June 3, 10.30 am.

SEVERN VALLEY RAILWAY (HOLDINGS)—Turnover for 1981 £655,481 (£634,123). Gross traffic receipts £323,779 (£297,252); operating surplus £82,426 (£101,373); other income £77,736 (£27,881); profit for year £20,282 (£62,311). Total net assets £513,829 (£480,992). Chairman says he will be disappointed if this year's profits do not show an improvement over 1981.

TRAVIS AND ARNOLD (supplier of building materials)—Results for 1981 reported April 27. Group shareholders' interests £37.52m (£34.9m). Net current assets £20.79m (£18.27m), including cash £4.07m (£2.5m) and short term investments £1.03m (nil). Property, plant and equipment £16.83m (£16.78m). Increase in net liquid funds £2.67m (£9.57m). Meeting, Northampton, June 8.

WATTS, BLAKE, BEARNE AND CO. (extractor and processor of ball and china clays)—Results for 1981 with prospects reported April 7. Group shareholders' funds £21.89m (£20.1m). Fixed assets £21.04m (£19.4m). Net current assets £2.96m (£2.11m). Working capital increased £157,000 (£80,000 decrease). Meeting, Moretonhampstead, Devon, June 4, noon.

APPOINTMENTS

Management changes at Hill Samuel companies

HILL SAMUEL LIFE AND INVESTMENT MANAGEMENT has made the following appointments:

Mr Neville Bowen becomes executive chairman of Hill Samuel Investment Management and of Hill Samuel Investment Management International. **Mr Roger Kitson** becomes chief executive of both companies.

Mr Richard Wales, at present assistant general manager of Royal Life Insurance, is to become chief executive of Hill Samuel Life Assurance.

The appointments have been made in view of the retirement from executive duties in September of **Mr John Marshall**, chief executive of HSLIM and chairman and chief executive of HSLA. Mr Marshall will, following his retirement, remain on the Hill Samuel Group board. Mr Bowen will succeed him as chief executive of HSLIM and as chairman of HSLA.

★

CHERRY ELECTRICAL PRODUCTS has appointed **Mr Robin Brewer** as marketing director for the UK and Scandinavia. He joins from Fairchild Semiconductor.

★

Two non-executive directors have been appointed to the West Midland regional board of CENTRAL INDEPENDENT TELEVISION to represent education and the arts. They are **Sir Patrick Nairne** and **Mrs Elizabeth Thomas**. Sir Patrick is master of St Catherine's College, Oxford. He was permanent secretary of the Department of Health and Social Security between 1975 and 1981. Mrs Thomas is chairman of West Midlands Arts.

★

Following the retirement of **Lord Sherfield** as chairman of A. C. COSSOR, the company has made two appointments. **Mr John D. Clare**, who continues as chief executive of the A. C. Cossor Group, has been appointed chairman of the company and **Sir Clifford Cornford** has been appointed vice-chairman, the position vacated by Mr Clare. As a result of these appointments, changes have been made in the boards of subsidiary companies within the A. C. Cossor Group. Sir Clifford has been appointed chairman of Cossor Electronics, Data Logic, Sterling Cables and Greengate Cables, positions previously held either by Mr Clare or Lord Sherfield. Mr Clare is also a vice-president of the parent company of A. C. Cossor, Raytheon Company, and is president of Raytheon Europe International Company, which operates from Geneva. He joined Raytheon in 1966, his previous appointment was vice-president and technical director of ITT Europe. Sir Clifford was chief of defence procurement at the Ministry of Defence until his retirement in April 1980.

★

Mr Peter H. Robinson has been elected president of the MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS.

★

Mr W. F. Johnston has been re-elected president of THE SURVEY ASSOCIATION. He is chairman of Engineering Surveys.

★

Mr Howard Field has joined the SAVOY HOTEL as group financial controller. He joins the group from Commonwealth Holiday Inns of Canada where he was vice-president for finance for the UK division.

★

J. H. MINET & CO. has appointed **Mr Paul Cotterill** as a director.

★

J. LAWSON & CO., Acton, has appointed **Mr Brian Fagan** as a director.

★

CONSULTANTS (COMPUTER & FINANCIAL) has appointed **Mr Martyn Collinson** as marketing director.

★

BRYANT HOLDINGS has appointed **Mr Ken Harvey** as managing director of Bryant Construction.

★

Mr Philip Harris has resigned as managing director of CONDE NAST & NATIONAL MAGAZINE DISTRIBUTORS to become executive chairman of a company within the International Publishing Corporation. **Mr Brian Bouchier**, who has been deputy managing director for the last two years, takes over as managing director on June 7.

★

Mr Lionel T. Anthony, managing director, industrial finance, National Coal Board, has been appointed chairman of the COAL INDUSTRY SOCIETY for 1982/1983. Other appointments are: hon. secretary, **Mr S. E. Brewis**, and hon. treasurer, **Mr A. H. Ross**.

★

NATIONAL WESTMINSTER BANK has appointed **Mr Peter Stern** as assistant franchise manager. He was assistant area advances manager at west end (west) area office, London.

★

The SEA FISH INDUSTRY AUTHORITY has made the following appointments: Finance director, **Mr A. Downie**; secretary and commercial director, **Mr R. A. Davie**; and director of marine survey and IDU Hull, **Mr P. D. Chaplin**.

★

Sir Ian Trethowan has been appointed a director of BARCLAYS BANK from September 1. He will retire at the end of July as director-general of the BBC.

★

Mr William G. Underwood has been appointed to the board of AP BANK from June 1.

★

Mr Alan S. Gray has been appointed a director and treasurer of CAYZER, a member of the British & Commonwealth Shipping Group. He was formerly a director of Antony Gibbs & Sons.

★

Mr O. N. Dawson and **Mr A. H. Baring**, both of whom are executive directors of F. & C. Management, have been appointed to the board of THE FOREIGN AND COLONIAL INVESTMENT TRUST. **Sir John Pilcher** has retired from the board. **Mr D. J. L. Fitzwilliams**, has resigned from the board of F. & C. MANAGEMENT, but remains a non-executive director of The Foreign and Colonial Investment Trust, General Investors and Trustees and The Cardinal Investment Trust.

Producers prepare to set up tin cartel

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA, Indonesia and Thailand will set up a tin producers association "in order to protect their legitimate interests," if the sixth International Tin Agreement fails to come into effect from July.

Mining ministers of the three countries, which account for 65 per cent of the world's tin exports, meeting in Kuala Lumpur over the weekend, have appointed a committee of senior officials to work out the framework of such a producers grouping, including a joint marketing organisation designed to give producers a bigger say on the price of the metal.

With only 50 per cent of the consumers, and 82 per cent of the producers having signed the sixth ITA by the April 30 deadline, when at least 80 per cent was necessary from both sides, there is now no hope of the agreement coming into force definitively.

However, the agreement can still come into effect provisionally if more than 65 per cent of the consumers accede to the pact by June 1.

The mining ministers agreed they should make another attempt to persuade countries like the Comecon group, Spain, the Latin American countries, South Korea, India and the Philippines to come into the agreement.

In the even that the sixth ITA failed, the three ministers would meet again to decide on the producers' association, the final form of which would be decided at a meeting of the seven tin producing countries at Lagos in early October.

The other subject discussed by the ministers was the implementation of the tin export control measures.

Malaysia has been asked to approach Singapore to co-operate in curbing smuggling to the island republic, as some mines from the three countries are expected to ignore the export restrictions by passing on tin to smugglers.

Unlike previous meetings, the ministers this time merely expressed "regret" over the sale of U.S. stockpile tin.

According to the officials, the three countries are resentful over the U.S. action, but have given up hope of influencing the U.S. in any way.

Since the ITC export control decision on April 26, the U.S. had sold 155 tonnes of tin.

Exports of Straits refined tin from Penang fell in April to 2,393.85 tonnes from 5,012.40 tonnes in March and 5,851.04 tonnes in April last year, reports Reuter from Singapore.

This brought total exports in the first four months this year to 18,250.75 tonnes against 23,041.97 tonnes in the same period of 1981.

In Bangkok the Thai Board of Trade reported that tin exports fell slightly to 10,479 tonnes in the first quarter of 1982 from 10,511 in the corresponding period of last year.

On the London Metal Exchange yesterday the tin price came under sustained nervous selling but was steadied in late trading by International Tin Agreement buffer stock buying. Cash metal ended the day £75 down at £7,040 a tonne.

LME warehouse stocks of tin fell last week by 75 tonnes to 37,745 tonnes. Copper stocks were up 4,525 tonnes to 142,425, while lead stocks rose 325 tonnes to 85,575 and zinc stocks fell 200 tonnes to 61,200. Aluminium stocks were down 1,375 tonnes at 222,700 and silver stocks unchanged at 33.96m ounces.

Iran calls off oil-lamb deal

By Dai Hayward in Wellington

THE PROPOSED oil-lamb deal between Iran and New Zealand is off. Because of rising prices on the world spot market and big increases in oil sales by the Iranian National Oil Company, Iran has lost interest in the oil-for-lamb negotiations which were almost complete.

The New Zealand Meat Board has been informed the Iranians no longer need to link oil sales to purchases of overseas food products. The board is now re-negotiating the contract as a normal trading arrangement. Mr Norman McRae, the deputy chairman, says that although there will be a further delay before the contract is signed the board is confident of a deal with Iran.

Mr McRae led the delegation to Iran which discussed in detail the oil-for-lamb proposal.

Export killings works have already begun slaughtering lamb under Moslem law in anticipation of a firm sale. Because of uncertainty over lamb markets this season, prices have weakened and the Meat Board has started to buy up lamb being slaughtered to maintain the price. It expects to acquire 4m carcasses between March 29 and the end of the current season. Most of these are expected to go to Iran.

MARKET PROFILE: SUGAR

Sour taste to an outsize crop

BY TERRY POVEY

FOLLOWING the U.S. Administrations' imposition of import quotas to protect domestic producers last week world sugar prices have fallen to a two and a half year low with the London Daily Price fixed yesterday morning at £109 per tonne.

Traders argue that the U.S. action simply tipped the balance towards further decline in a market that had been bearish for some months. Most also agree that there is "little prospect of major turn-around over the coming year" with fundamental influences, primarily production levels, leading to sustained over-supply.

With prices now well below the production costs of even the most efficient cane sugar producers, the International Sugar Organisation (ISO) is to meet on Thursday to fix export kuotas for its members. The ISO has not only to make its decisions in the light of poor market conditions for producers it has also to try to prove that it can play an effective role in spite of such conditions.

Two underlying factors are influencing the present downward trend in the market. Firstly many producers increased plantings as a result of the period of high prices running from mid-1979 to the summer of 1981. The full effects of this are now being felt through sharply rising production levels. The latest estimates for the 1981/82 crop are at, or just under, the 97m tonne level—13m up on the 1979/80 crop. Of this increase more than 10½m tonnes came from cane producers whose share of the total rose to 62 per cent.

The other important factor has been the more-or-less static level of demand at around 90m tonnes. Having grown at around 4 per cent per year during the 1970s the last two years have seen little or no growth.

While the 7m tonne surplus of production over consumption may not seem so large, it is enormous when compared to the actual size of the world's sugar market. According to ISO officials total requirements from the free market for this year will be around 18.7m

Out of the 18.7m just over 12m tonnes is handled by ISO members. The rest will be EEC sales, 4.9m tonnes, and other sales under special arrangements. Yet the ISO finds itself saddled with an agreement into which was built-in a "basic export tonnages" quota formula that has this year allocated almost 17m tonnes between its producing members. Only certain failures to fulfill such allocations in past years still encourage the hope that the formula will not further add to the present over-supply.

The EEC, the biggest seller on the free market, is expected to produce a further 3m tonnes over and above its 13m tonnes in 1980-81. Conditions in western Europe plus the likelihood of a 10-11 per cent rise in farm prices continue to favour growth in this crop. With almost 2m tonnes held over in stocks, the EEC's sugar mountain seems destined to go on growing.

It has been the failure of sugar consumption to continue growing at the 4 per cent per annum rate that it averaged between 1970-79 that has caused the gap between it and production to open so sharply. There is now every indication that in the more advanced Western countries consumption rates are levelling off, and that where competition from sugar substitutes is allowed, may even be falling.

In the 10 years 1970-79 total consumption by the EEC, Spain, Canada, Japan, and the U.S. actually fell from 26.2m tonnes to 25.8m tonnes. Worldwide consumption rose in the same period from 72.1m tonnes to 89.6m tonnes.

Although the under-developed and less-developed parts of the world have increased their consumption (South America up 56 per cent, Asia up 42.5 per cent, and Africa up 55 per cent) these increases are no longer compensating for falls in the developed states. Many of the developing countries are increasing their own production in order to meet local needs.

It is in its *industrial* uses, and mainly in the U.S., Canada and Japan that sugar is having to face increasing and stiff competition from substitute sweeteners and especially from the HFCS (high fructose corn syrups).

By 1979, 27 per cent of "sweetener" consumption in the U.S. was of HFCS, compared with only 10 per cent in 1970. The figure is now likely to be over or at the 30 per cent level.

The success of HFCS has clearly been because of its price competitiveness with both beet and cane sugar. Corn prices are said to have only a limited impact on costs of production and for the time being only shortages of refining capacity and the EEC's effective bar on HFCS is preventing its further expansion into new markets.

For the ISO, the prospect of bumper crops for two years' running together with greater competition from the substitute sweeteners means that short of natural disasters for a couple of the main producers, the world market will stay a buyers' one. Stocks held by producers will have to be boosted in order to keep prices from falling further.

With both representatives of producers and many traders agreeing that the prospects for the next crop are that it will be as big, if not bigger than in 1981-82, it is difficult to avoid the conclusion that there is simply too much sugar being produced. This is a problem the ISO quotas decision will either leave untouched, or may even make worse.

U.S. maize growers visit Poland

BY CHRISTOPHER BOBINSKI IN WARSAW

A FIVE-MAN delegation representing the U.S. Corn Growers' Association arrived in Warsaw yesterday for a week of talks with Polish officials and a fact finding tour of the Polish countryside.

The delegation, which is due to go on to Moscow, has come at the invitation of Rolimpex, the Polish company trading in farm produce, and the visit is to seek ways of enabling Poland, which has little spare hard currency, to import U.S. maize to restore poultry production.

The western freeze on credits for Poland imposed in the wake of martial law has meant that Polish imports of U.S. maize have ceased while the country is estimated to need round 1m tonnes this year.

Production of poultry meat in the first quarter has fallen by some 80 per cent compared to the same period last year.

The visit comes on the heels of another group led by Mr Bob Bergland, the former agriculture secretary in the Carter Administration which saw senior Polish officials and discussed the merits of a barter deal with Poland supplying either coal, cement or sulphur for U.S. grain.

Mr Bergland himself admitted that the prospects for such a deal were only good in the medium-term. Polish officials have said privately that the talks concentrated if anything on shipments of Polish sulphur.

This year Poland has been buying grain in Canada, France, Austria and some from the USSR. The Canadian grain agreement signed in November 1979 allows for imports of a maximum of 1.5m tonnes this year financed by government guaranteed credits. Talks on a new agreement with the Canadians are expected to start in the autumn.

Malaysian palm oil output up

KUALA LUMPUR — Malaysia's crude palm oil production increased to a preliminary estimate of 273,500 tonnes in April from a revised 250,794 in March and 212,911 in April last year, the Palm Oil Registration and Licensing Authority (Porla) said.

Porla said that production this year had started on a very sound footing compared to a stagnant output for the same four-month period last year.

Cumulative production in January-April this year rose to 906,827 tonnes from 769,617 in the same 1981 period.

Reuter

Dairy farmer-retailers attacked

BY A CORRESPONDENT

DAIRY FARMER producer-processors came under sustained attack at the annual conference of the Dairy Trade Federation.

Representatives of some of Britain's biggest dairy companies said the whole structure of Britain's milk marketing system was threatened by the expanding competition from farmer-retailers.

Mr Nicholas Horsley, DTF president, said: "This is an extremely serious situation, part and parcel of a major price war such as we have not seen before. The producer-processors have an unfair advantage and it is almost impossible for the Milk Board to police them."

Mr Chris Ball, managing director of St Ivel, warned: "Time is running out. We are losing patience with the system which allows small advantageously-located, elite milk producers to buy small quantities of milk at prices cheaper than I pay for a million gallons a day."

Mr Roy Bousfield, managing director of Asda, said: "The MMB has been slow and dilatory in tackling the problem of the PP. These producers get an unfair price advantage not only against the processor but also against their fellow producer. The matter would be very easily solved if every producer, irrespective of how he markets his milk, were to be treated as a wholesale producer selling it to the Board and buying back whatever quantity he actually decides to process himself on the same terms as anyone else."

European farms committee appointment

By Our Commodities Staff

MR DAVID CURRY, Conservative Euro-MP for Essex, North-East, was yesterday elected chairman of the European Parliament's committee on agriculture.

He succeeded Sir Henry Plumb, who became chairman of the European Democratic Group in February.

BRITISH COMMODITY MARKETS

BASE METALS

BASE METAL PRICES lost ground on the London Metal Exchange. The increase in warehouse stocks depressed Nickel which fell to £2,910, while Copper drifted in subdued trading to close at £852.5. [illegible]

SUGAR

GRAINS

SILVER

COCOA

COFFEE

GAS OIL FUTURES

RUBBER

SOYABEAN MEAL

COTTON

JUTE

WOOL FUTURES

TEA AUCTION

POTATOES

PRICE CHANGES

MEAT/VEGETABLES

GOLD MARKETS

Gold rose $2½ an ounce from Friday's close in the London bullion market yesterday to finish at $337½-338½. Trading was again very quiet and featureless. The metal opened at $337-337½ and traded between a high of $340-340½ and a low of $336½-337½.

In Frankfurt the 12½ kilo bar was fixed at DM 24,970 per kilo ($339.01 per ounce) against DM 24,720 ($332.99) previously and closed at $337½-338½ against $333-334.

In Paris the 12½ kilo bar was fixed at FFr 65,500 per kilo ($340.93 per ounce) in the afternoon compared with FFr 65,300 ($340.77) in the morning and FFr 65,100 ($335.56) on Friday afternoon.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar at the fixing was $337.80 compared with $331.70 on Friday.

In Zurich gold closed at $337-340 from $333-336.

LONDON FUTURES

AMERICAN MARKETS

EUROPEAN MARKETS

INDICES

FINANCIAL TIMES

May 14	May 13	Month ago	Year ago
241.76	240.89	243.67	252.89

(Base: July 1 1952=100)

DOW JONES

Dow Jones	May 14	May 13	Month ago	Year ago
Spot	125.80	126.01	127.15	[illegible]
Fut's	128.88	128.86	128.07	[illegible]

(Base: December 31 1974=100)

MOODY'S

May 14	May 13	Month ago	Year ago
1006.9	1004.5	999.9	1078.4

(December 31 1931=100)

REUTERS

May 17	May 14	M'nth ago	Year ago
1570.6	1570.0	1609.5	1688.2

(Base: September 18 1931=100)

David Lascelles examines the latest vogue on the U.S. capital markets

The attractions of 'global' security issues

"GLOBAL" SECURITIES are the new vogue on the U.S. capital markets. None have yet actually been offered to the investing public, let alone sold, but their appearance is stirring much interest. Exxon, the big oil company, is leading the way.

The name is something of an exaggeration. Global Securities are not designed to be sold all over the world, just in the U.S. and the Euromarkets. But in today's intricate tax and regulatory climate, even that takes a lot of doing to ensure that their tax treatment, price and availability is the same wherever they go.

Historically, tax and regulation—particularly the latter—posed formidable obstacles to a borrower who wanted to broaden the market for his debt by simultaneously tapping Wall Street and the Euromarkets, the two largest capital markets in the world. In fact, it was probably impossible.

The tax problem stems from the U.S. practice of withholding tax on interest paid to foreigners on publicly held debt. The idea is that the U.S. should get its share of the tax on this investment income and leave it to the foreign investor to make the necessary adjustment with his own tax authorities. Apart from interfering with the yield on investment, this forces foreigners to disclose their investment and acts as a strong disincentive to foreign investment in the U.S. capital markets.

By contrast, no such constraint exists in the Euromarkets, which are international and unregulated.

However, there are loopholes in the withholding tax law which have been exploited by both U.S. and foreign companies. One—used by some foreign borrowers—is to set up a so-called 80-20 company. The U.S. tax code exempts from withholding tax any U.S. corporation that derives more than 80 per cent of its revenues from overseas. So a foreign borrower can set up a U.S. borrowing vehicle which lends the money to its parent and gets its entire revenue in the form of interest paid by the parent.

A U.S. borrower, on the other hand, is able to set up a borrowing vehicle in the Netherlands Antilles—the Caribbean island which has a special tax treaty with the U.S.—to sell debt in the U.S. markets which is exempt from withholding tax.

So there is a way both U.S. and foreign borrowers can sell securities on the U.S. market without landing investors in the withholding tax net. But that was only the first step.

As for regulation, borrowers on the U.S. market have to go through the time-consuming business of filing their securities with the Securities and Exchange Commission and getting its approval for each issue. This means borrowers lack the freedom to dart into the market when a "window" opens, usually all too briefly, though they can do it in the Euromarkets which has no registration formalities.

Borrowers are now in a position to gain instant and equal access to the U.S. capital markets and the Euromarkets. Exxon, the world's largest oil group, is leading the way and the possibility of a similar move by the UK's National Westminster Bank has also been raised

But earlier this year, the SEC short-circuited this cumbersome procedure by allowing borrowers to place a registration "on the shelf" which could be used without further ado to sell securities at any time over the next two years. Although the SEC has only approved shelf registration for an experimental nine months, it is the key which has unlocked the door to global securities.

For the first time, a borrower is now in a position to gain instant and equal access to both the U.S. market and the Euromarkets.

Exxon was quick to seize this new opportunity, and last month it announced a $500m note issue which will probably become the first global security.

The notes will be sold through Exxon's Netherlands Antilles Finance subsidiary which can tap the U.S. market without incurring withholding tax, and because the issue will be "on the shelf," Exxon will be able to choose instantly when to sell the issue, and whether to place it in the U.S. or the Euromarkets.

No borrower has ever had quite this flexibility before, and the view on Wall Street is that Exxon should be able to cut its borrowing costs a little because of it. On the other hand, some unsophisticated investors might be wary of buying Netherlands Antilles corporate debt even if it has Exxon's name on it. Some people in the Administration are also trying to revoke the special tax treaty. The chances of that happening seem remote, but it could be worrisome.

Shelf registration also allows borrowers to sell securities directly to the investing public rather than through a group of underwriters. This, not surprisingly, has upset Wall Street firms which fear they could lose a lot of underwriting business. Because of this, Exxon's global securities are somewhat controversial.

The possibility of a global security issue has also been raised by National Westminster Bank of the UK. NatWest was one of the first foreign borrowers to file a "shelf issue:" $250m of notes. The issue will be made through Natwest Capital Corporation, a U.S. borrowing vehicle which will qualify as an 80-20 company. So although NatWest seems to be aiming the notes primarily at the U.S. market, its new creature could technically sell bonds directly and equally to both Americans and foreigners.

One or two wrinkles still have to be sorted out before global securities can come into their own: for instance, bond interest is paid six-monthly in the U.S. market but yearly in the Euromarkets. But the hope is that they will succeed not only in the primary issue market but also in secondary trading.

In its announcement, Exxon said: "Exxon is not aware of any other corporate debt security now being sold with features which would make it as suitable for initial sale and subsequent trading in markets around the world."

The SEC is still in the process of approving the shelf registration for the Exxon and NatWest issues, so their timing is still unknown.

$200m Eurobond for Philip Morris

By Alan Friedman

PHILIP MORRIS is back in the Eurodollar bond market with a $200m 12-year zero coupon issue, the first dollar bond from the company since 1971. The lead-managers are Lehman Brothers, Kuhn Loeb and Goldman Sachs.

For Lehman Brothers, the Philip Morris issue marks the operation debut of the Euromarket executives who left Credit Suisse First Boston a few weeks ago. Priced at 22½ per cent, the Philip Morris paper provides an annual yield of 13.34 per cent.

The issue, Lehman's first lead-management since 1977, will not be sold to Japanese investors because of the moratorium on zero coupon bonds. It is directed at Continental investors instead.

Elsewhere in the Eurodollar bond market, the condition of the $75m seven-year 14½ per cent issue for W. R. Grace worsened—the bid price stood at around 98½, a 3½ point discount from the 99½ issue price.

W. R. Grace was not alone; other issues fared badly. One bond dealer summed it up by noting: "To move new issues in this market, you need to offer whacking great discounts."

The indigestion in the new issue sector therefore continued, but dealers reported a firm undertone when it came to more seasoned issues. Prices of older bonds were up around ¼ point on average.

In the Canadian dollar sector, a C$100m seven-year issue is out for Bell Canada, bearing a 15½ per cent coupon as indicated. This is an aggressive pricing for a good name. UBS is lead-manager.

In the Euro D-mark bond market, a DM 100m 12-year issue has been launched for Barclays Bank. The coupon is 8¾ per cent and lead-manager is Dresdner Bank. Prices of D-mark bonds were unchanged in quiet trading.

Prices of Swiss franc foreign bonds moved slightly higher in moderate trading. The market is encouraged by last week's cut in short-term deposit rates.

Costa Rica to resume talks on $2.6bn debt

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE Government of Costa Rica is to resume talks with international banks next month on rescheduling the country's $2.6bn of foreign debt. There are indications that the country will also step up efforts to resume interest payments which have been halted since August.

A telex sent by the Government to all creditor banks has proposed a meeting in the first half of June to discuss the rescheduling issue and "to present a plan for resuming interest payments to the maximum extent possible."

"At the same time we hope to gain support from friendly governments and multilateral institutions to assist our economic stabilisation and recovery effort within the framework of a new agreement with the International Monetary Fund which we intend to conclude by the third quarter of 1982," it says.

Bankers who have received the telex said yesterday they welcomed Costa Rica's expression of good intent as regards interest payments, which were a stumbling block to debt negotiations under the previous government.

But they cautioned that the country still has precious little money available to service its debt. Interest arrears are thought to be in excess of $200m some of which is owed to multilateral institutions such as the World Bank and Inter-American Development Bank.

These would have to be cleared before any interest could be paid to commercial banks. The best that could be hoped for at the moment is that the arrears will grow more slowly than before.

The telex was signed by Sr Frederico Vargas, the finance minister, Sr Carlos Manuel Castillo, executive president of the Central Bank, and Sr Rodolfo Silva, presidential adviser. It made no mention of rescheduling Costa Rica's outstanding Eurobond issues.

This has been a highly controversial aspect of the debt problem, however, and a factual report on technical aspects of deferring repayment of bonds is likely to be presented at the bankers' meeting next month.

Citibank offers to raise $150m loan for Pakistan

BY DAVID DODWELL

CITIBANK has offered to raise a three-year $150m syndicated loan for Pakistan just three months after withdrawing from a similar loan to the same borrower.

News of the offer coincided with the visit to London yesterday of Mr Qazi Alimullah, Pakistan's joint secretary for external finance, for the formal loan-signing of Pakistan's largest ever syndicated loan, worth $225m, with Bank of America International acting as agent.

The terms of the loan to be raised by Citibank are expected to be identical to those of the Bank of America syndication. They are identical to those deemed unacceptable by Citibank three months ago and are the best ever obtained by Pakistan. The three-year Bank of America syndication will comprise three tranches—one of $97m for one year at ⅝ per cent above the London interbank offered rate (Libor), one of $64m for two years at ¾ over Libor and a third of $64m for three years at ⅞ over Libor.

The Bank of America syndication was originally planned to be for $175m, half of Pakistan's external borrowing needs for the fiscal year beginning on July 1. Following the oversubscription, Pakistan will draw down $25m of the loan before the end of the current fiscal year. The remaining $200m will be drawn down in July, at which time Citibank is expected to go to the market.

Citibank would not comment yesterday its change of heart, though recent promising economic indicators from Pakistan may have had some influence.

A sudden rise in remittances from workers overseas, coupled with a slower than expected rise in import costs, has prompted government economists to predict an overall balance of payments deficit for the current fiscal year of just $50m. This compares with forecasts early this year of a deficit of over $500m. Delinkage of the Pakistan rupee from the U.S. dollar in January this year is thought to have played an important part in the improvement.

Modest upturn at Taft

BY OUR FINANCIAL STAFF

TAFT BROADCASTING, a leading U.S. broadcaster with interests in amusement parks and films, edged ahead in the final quarter ending March 31.

Net profits were $2.4m or 25 cents a share compared with income from continuing operation of $2m or 21 cents a share in the same period the previous year. A loss of $4.1m from discontinued operations left Taft with a net loss of $2.1m in the quarter a year ago.

Revenue for the quarter moved up from $45.6m to $50.5m.

The figures brought Taft's profits for fiscal 1981-82 to $38.3m or $3.83 a share compared with a final net of $24.3m or $2.48 a share, with sales up to $358.2m from $239.9m.

Taft is in the process of acquiring a series of cable television systems in partnership with Tele-Communications.

Military listing for chip maker

By Louise Kehoe in San Francisco

NATIONAL Semiconductor, the Santa Clara-based microchip maker has been told by the U.S. Department of Defence that its military-grade parts have been restored to the official "qualified products list."

National was disqualified as a military supplier in January after acknowledging that some of its military-grade chips had not been properly tested to the department's specifications.

J. C. Penney edges ahead despite dip in sales

BY OUR FINANCIAL STAFF

INCREASING concentration on fashion clothing and home furnishings is helping margins at J. C. Penney, third largest of the U.S. retailers and a major force in mail order, Mr Donald Seibert, chairman, told the annual meeting in Houston.

Earnings edged forward in the first quarter from $50m or 71 cents a share to $52m or 73 cents a share, despite a dip in sales from $2.51bn to $2.44bn.

In the fiscal year to January 30 last, Penney achieved a 66 per cent gain in earnings to $387m. But sales were lower in the all important Christmas quarter and earnings growth slowed down.

The department stores and the mail order catalogue divisions had increased their profits in the first quarter, said Mr Seibert. Penny traditionally takes nearly 90 per cent of its sales from its stores and associated mail order operations.

The insurance subsidiaries, which turned in net income of $42m in the year to January 1981, saw lower earnings in the quarter. But drug store earnings (about 4 per cent of total sales) managed to edge ahead. Interest charges at the group were $20m higher at $69m.

Wall Street analysts have forecast that in the current financial year Penney's earnings will hold steady at about $5.50 a share of fiscal 1981-82. But much depends on whether the U.S. retailing market receives a boost from the cut in personal taxes in the coming 12 months.

H. F. Ahmanson blames loss on interest rates

By Our New York Staff

H. F. AHMANSON, parent of the largest savings and loan institution in the U.S., yesterday announced a $42.4m loss for the first quarter of this year, dramatically underlining the damage which high interest rates are doing to the thrift industry.

Ahmanson, which is based in Los Angeles, owns Home Savings of America and has assets totalling over $16bn.

The first quarter loss is the worst the company has reported, and it compares with a profit of $1.6m in the first quarter of last year. It reduced the company's stockholders equity, or net worth, by nearly 7 per cent over the quarter to $722m.

The company blamed the loss squarely on high interest rates, which affected all its operations including insurance.

For the whole of fiscal 1981, Ahmanson turned in a deficit of $2.59 cents a share, and any hopes of a revival in fortunes this year must depend on a fall in U.S. interest rates. The company, like most of the industry, is striving to increase the percentage of variable rate mortgages in its portfolio.

Home Savings operates nearly 150 loan offices in California, 16 in Missouri and 13 in Florida. The group also has three property and casualty insurers and four life assurance offshoots.

Earnings had been rising strongly from the mid-70s to reach a peak of $117m in 1979. The company is controlled by the Ahmanson family with 73 per cent of the stock.

Fall in second quarter for Dresser

By Our Financial Staff

DRESSER Industries, the U.S. *oil services group*, slipped back in the second quarter ended April 30, with net profits of $63m or 80 cents a share compared with $76.3m or 97 cents a share in the same period a year ago.

Revenues for the quarter eased from $1.18bn to $1.16bn.

The figures left Dresser's first-half earnings marginally ahead at $139.9m or $1.78 a share compared with $138m or $1.76 a share on revenues of $2.3bn compared with $2.19bn.

Last December, management had forecast a year of growth in fiscal 1982, aided in particular by *strength in oilfield* equipment and service operations.

Dresser is planning a new unit to provide services, hardware and software packages for log analysis, and reservoir evaluation and development.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Wednesday June 16. Closing prices on May 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97 ...	150	102⅛	102⅝	+0⅛	0	14.14
Amax Int. Fin. 16¼ 92	75	103⅞	104⅜	+0⅛	+0⅛	15.39
Amex O/S Fin. 14¾ 89	75	97⅞	98⅜	+0⅛	0	14.68
APS Fin. Co. 16¼ 89 ...	75	103½	104	−0⅛	−0⅜	15.26
Armco O/S Fin. 15½ 86	50	100½	101	+0⅛	−0½	15.05
ATT 14¼ 89	400	101⅝	102⅛	+0⅛	−0⅛	13.75
Baker Int. Fin. 0.0 92	225	27⅝	28⅛	+0⅛	−0½	13.91
Bk. Amer. NT SA 12 87	200	92⅜	93⅛	+0⅜	+0½	14.05
Burroughs Int. 15¾ 88	50	104⅜	105⅛	−0⅛	−0⅛	14.39
Canadair 15½ 87	150	101⅞	102⅜	−0⅛	−0⅜	14.84
Can. Nat. Rail 14⅞ 91	100	99⅞	100⅛	−0⅛	−0⅛	14.58
Carolina Power 16½ 89	60	104⅜	104⅞	0	−0⅞	15.30
CIBC 16 87	100	102⅞	103⅜	−0⅛	−0⅞	15.00
Citicorp O/S 15 84/92	100	100½	101	−0⅛	−0⅛	14.47
Citicorp O/S 15½ 85/97	125	101⅜	101⅞	−0⅛	−0½	14.67
CNA 15⅞ 97	75	101⅜	101⅞	+0⅛	+0⅛	15.58
Con. Illinois 15¾ 89 ...	100	102⅜	103⅛	−0⅛	−0½	14.97
Duke Pwr. O/S 15½ 89	60	102½	103	+0⅛	+0½	14.82
Dupont O/S 14½ 88 ...	400	100⅝	101⅛	+0⅛	−0⅛	14.23
Dupont O/S Cap. 0.0 90	300	37¼	37¾	−0⅛	−0⅛	13.52
ECSC 14¾ 87	50	99½	100	+0⅛	−1	14.79
EIB 15½ 89	150	101½	102	+0⅛	−0⅛	15.04
Eksportfinans 14½ 89 ...	50	98½	99	+0⅛	−0½	14.79
Gen. Elec. Credit 0.0 92	400	30⅛	30⅝	−0⅛	−0⅞	13.00
Gen. Elec. Credit 0.0 93	400	26⅛	26⅝	−0⅛	−1⅛	13.15
Getty Oil Int. 14 89 ...	125	98⅞	99⅜	+0⅛	−0⅛	14.20
GMAC O/S Fin. 16 88	150	102½	103	0	−0½	15.19
GMAC O/S 15¾ 85/97	100	99⅛	99⅝	0	0	15.42
Gulf Canada Ltd 14¾ 92	100	99⅝	100⅛	−0⅛	−0½	14.73
Gulf Oil 14¼ 94	175	99	99½	+0⅛	−0⅛	14.37
Gulf Oil Fin. 0.0 92	300	29	29½	+0⅛	+0⅛	13.38
Gulf States O/S 16 90	60	101⅜	101⅞	+0⅛	+0⅛	15.66
Int.-Am. Dv. Bk. 15⅞ 87	55	100⅜	100⅞	+0½	0	14.88
Japan Airlines 15⅛ 88	50	101⅝	102⅛	+0⅛	−0⅛	14.72
Japan Dev. Bk. 15½ 87	50	103½	104	+0⅛	+0⅛	14.30
New Brunswick 16¼ 89	75	105⅜	105⅞	−0⅛	−0⅛	14.83
OKG 15⅝ 58/97	50	98½	99	0	−0⅛	16.13
Ontario Hyd. 16 91 (N)	200	105⅜	105⅞	−0⅛	−0⅛	14.73
Ontario Hydro 14⅜ 89...	150	101½	102	—	—	14.33
Pac. Gas & El. 15¾ 89	80	103½	104	0	−0⅛	14.77
Pac. Gas & El. 15½ 89	45	103½	104	+0⅛	−0⅛	14.57
J. C. Penney Gl. 0.0 94	350	22⅛	22⅝	−1½	−1⅛	13.54
Phillips Petrol 14 89 ...	200	97⅜	97⅞	+0⅛	−0⅛	14.56
Quebec Prov. 15⅛ 89...	150	101	101½	+0⅛	−0⅛	14.90
R.J. Rynlds. O/S 0.0 92	400	28	28½	−0⅛	−1	13.83
Saskatchewan 16 89 ...	125	104⅛	104⅝	+0⅛	−0½	14.37
Spain 15¾ 87	100	99⅞	100⅜	+0⅛	+0½	15.75
Statsforetag 15¾ 87	50	100⅛	100⅝	−0⅛	−0⅛	15.55
Sweden 14½ 88	150	96⅞	97⅜	+0⅛	+0⅛	15.19
Swed. *Ex. Cred.* 15¼ 89	100	99⅞	100⅜	−0⅛	−0½	15.18
Swed. Ex. Cred. 0.0 94	200	21⅞	22⅛	0	−0⅛	13.62
Transcanada 16 89 ...	100	101⅜	102⅛	−0⅛	−0½	15.49
Union Carbide 14¾ 89	150	100⅜	100⅞	—	—	14.59
Wells Fargo I. F. 15 87	75	101⅜	102⅛	+0⅛	+0⅛	14.39
WMC Fin. 15⅞ 88	50	98⅞	99⅜	+0⅛	−0½	15.65
World Bank 15⅛ 88 ...	250	101⅜	102⅛	−0⅛	0	14.67

Average price changes... On day −0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 9¾ 92	150	99¾	100¼	+0⅛	−0⅝	9.24
Australia 9⅝ 91	300	104⅛	104⅞	+0⅛	−0⅛	8.65
Australia 9⅝ 91	200	104⅜	104⅞	−0⅛	−0⅛	8.61
Como. Tel. Esp. 10½ 92	100	101	101½	−0⅛	−0⅛	10.26
Denmark 10 88	100	102⅛	102⅝	−0⅛	−1⅛	9.40
Denmark 10⅛ 92	100	102⅝	103⅛	0	−1	9.63
EDF 9⅞ 92	100	101⅞	102⅜	0	−0⅛	9.52
EEC 10⅛ 93	100	104⅜	104⅞	0	−0⅛	9.45
EEC 9¾ 94	200	103	103½	0	−0⅛	9.27
EIB 9¾ 88	60	102½	103⅛	+0⅛	−0⅛	9.12
Ireland 10⅛ 86	100	101⅞	102⅜	0	−0⅛	9.47
Mexico 11 88	100	101⅝	102⅛	+0⅛	−1	10.53
Nacnl. Financiera 11 90	150	99⅝	100⅛	−0⅛	−0½	10.98
Nat. West. 9⅞ 92	100	104⅝	105⅛	−0⅛	−0⅛	9.04
New Zealand 9¾ 89 ...	200	104⅝	105⅛	0	0	8.84
OKB 9¾ 86	150	102⅝	103⅛	+0⅛	−0⅛	9.10
Quebec 10¼ 92	150	105	105½	+0⅛	−0⅛	9.25
Quebec Hydro 10¼ 91...	150	104⅝	105⅛	0	−1	9.41
Renfe 10 92	100	99⅝	100⅛	0	−0½	10.00
Tauernautobahn 9⅞ 94	50	103⅛	103⅝	−0⅛	−0½	9.38
Venezuela 11½ 91	100	100½	101½	+0⅛	−0½	11.32
World Bank 9½ 89	100	102⅜	102⅞	−0⅛	−0⅛	8.96
World Bank 10 91	250	105⅜	105⅞	0	−0½	9.10

Average price changes... On day 0 on week −0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Ansett Transport 7½ 92	50	104	104½	+0⅛	+0⅛	6.88
Aucalsa 7¾ 92	80	98⅞	99⅛	−0½	+0¼	7.88
Australia 6½ 94	100	104½	105	+0½	+0⅞	5.93
Cse. Nat. l'Energie 7 92	100	102⅛	102⅝	+0⅛	+1⅛	6.66
CFE-Mexico 8¾ 92	50	99⅞	100⅜	+0⅛	+1	8.23
Co-op. Denmark 8⅛ 92	25	105⅜	105⅞	−0⅛	+0½	7.50
Crown Zellrbch. 6¾ 92	100	103	103½	+0⅛	+0½	6.30
Denmark 7¼ 91	100	103⅛	103⅝	+0½	+1⅛	6.73
EIB 7¼ 92	100	102⅞	103⅜	+0⅛	+1	6.79
Elet. de France 7 92 ...	100	103	103½	+0⅛	+1	6.53
ENEL 8 92	44	100⅝	101⅛	−0⅛	0	7.86
First City Fin. 8¾ 92...	25	104⅞	105⅛	0	+0⅞	7.51
Kommunlans 7¾ 92......	35	102	102½	+0⅛	+1⅛	6.93
Manitoba 7 92	100	106	106½	0	−0⅛	8.13
Mitsui OSK 6½ 92	100	102	102½	+0½	+1⅛	6.19
National Pwr. Co. 8 92	30	103¾	104¼	+0¼	+0⅛	7.40
Nippon T. and T. 6⅝ 92	100	103⅝	104⅛	+0⅛	+0⅛	6.05
OKB 7¼ 92	100	104⅝	105⅛	+0⅛	+0⅛	7.04
Ost. Donaukraft 7 92...	100	103¼	103¾	+0⅛	+0⅛	6.49
Ost. Postspar 7½ 92 ...	100	103¾	104¼	+0⅛	+0⅛	6.92
Philip Morris 6⅝ 92 ...	100	104⅛	104⅝	+1⅛	+0⅛	6.02
Quebec 7⅛ 92	100	105⅝	106⅛	0	+0⅞	6.52
Sekisui Pre. 5¾ 92 WW	70	106⅞	107⅜	+0⅛	+1⅛	4.83
Soc. Lux. de Cnt. 8¾ 92	80	105⅜	105⅞	+0⅛	+0⅛	7.18
Transcanada Pipe. 7 94	100	103	103½	−0⅛	−2	6.59
Vorarlberg Kraft 6¾ 92	50	103½	103⅞	−0⅛	+0½	6.28

Average price changes... On day +0⅛ on week +0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅞ 91...	15	100½	101½	−0⅛	−0⅛	8.08
Int.-Amer. Dev. 8⅞ 91...	15	102¾	103¾	0	0	8.43
Japan Airlines 7⅞ 87...	9	97⅝	98⅛	−0⅛	0	8.42
New Zealand 8⅝ 87 ...	15	101	102	−0⅛	−0⅛	8.00
World Bank 8⅛ 92	20	100⅝	101⅛	0	0	8.25

Average price changes... On day −0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Pac. S. 16½ 89 C$	50	†99¼	99¾	−0¼	0	16.48
Crd. Foncier 17½ 89 C$	30	†100	100½	0	+0⅛	17.05
Hudson Bay 17 89 C$...	40	†100	100½	0	−0⅛	16.92
Montreal 17 89 C$	50	†102	102½	0	0	16.38
Queb. Hydro 16½ 89 C$	50	†98½	99	−1½	−1⅛	16.77
Quebec Prov. 17 88 C$	50	†103	103½	+0⅛	+0⅛	16.05
Simpsons 16½ 89 C$	40	†97	97½	−0⅛	−0⅛	17.45
U. Bk. Nwy. 9½ 90 EUA	18	89½	90⅛	+0⅛	−0⅛	11.47
Amro Bank 10 87 Fl	150	99⅝	99⅞	—	—	10.09
Bk. Mees & H. 10 87 Fl	75	98⅞	99⅜	—	—	10.23
Eurofima 10½ 89 Fl	50	101⅛	101⅞	—	—	10.20
Phil. Lamps 10½ 87 Fl	100	101⅞	102⅛	+0⅛	+1	9.71
Rabobank 12 86 Fl	50	106⅜	107⅛	+0⅛	+0⅛	9.86
World Bank 10 87 Fl	150	99	99½	—	—	10.19
OKB 14 86 FFr	400	92⅞	93⅝	0	+0⅛	16.73
Solvay et C. 14¾ 86 FFr	200	92⅞	93⅝	+0⅛	+0⅛	17.39
Acona 14 86 £	20	96	96	−0⅛	+0⅛	15.65
Beneficial 14¾ 90 £ (D)	20	88⅞	88⅞	+0⅛	+1⅛	16.82
BNP 13½ 91 £	15	92½	92⅞	0	+1	15.06
CECA 13½ 88 £	20	94½	95½	+0⅛	+0⅛	14.70
Fin. Ex. Cred. 13¾ 86 £	15	95⅛	96½	0	+0⅛	15.11
Gen. *Elec.* Co. 12½ 89 £	50	92½	93⅛	0	0	14.17
Hiram Walker 14¾ 86 £	25	97⅜	98	−0⅛	+0⅛	15.07
Privatbanken 14½ 88 £	12	94⅜	95⅛	+0⅛	+1⅛	15.84
Quebec 15½ 87 £	35	102⅛	103	+0⅛	+0⅛	14.67
Reed (Nd) NV 16½ 89 £	25	102⅞	103⅜	−0⅛	+0⅛	15.88
Royal Trustco 14 86 £	12	97⅛	98½	0	+0⅛	14.62
SDR France 15½ 92 £	30	99⅝	100⅛	0	+0⅛	15.46
Swed. Ex. Cr. 13¾ 86 £	20	97⅛	98⅛	−0⅛	+0⅛	14.51
Eurofima 10½ 87 LuxFr	500	95⅞	96⅝	−0⅛	−0⅛	11.40
EIB 9¾ 88 LuxFr	600	93⅛	94⅛	−0⅛	−0⅛	11.24

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5¼ 92	0¼	98⅛	98⅝	15/10	15.69	15.96
Bank of Montreal 5¼ 91	0⅛	99	99½	29/10	15⅛	15.24
Bk. of Tokyo 5¼ 91 (D)	0⅛	98⅜	99⅛	10/6	13⅛	13.40
Bk. Nova Scotia 5¼ 93	0⅛	99⅜	99⅞	29/10	15⅛	15.22
BFCE 5¼ 88	0⅛	99⅝	99⅞	28/10	15	15.09
BFCE 5¼ 87	0⅛	99⅜	99⅞	27/7	16⅛	16.31
Caisse Nat. Tele. 5¼ 90	0⅛	99⅜	99⅞	21/4	15⅛	15.81
CCCE 5¼ 2002	0⅛	98⅞	98⅞	11/6	14.82	15.02
Co-Ban Eurofin 5½ 91	0⅛	99	99½	14/10	16	16.12
Credit Agricole 5¼ 97	0⅛	99⅜	99⅞	24/9	15.44	15.53
Credit Lyonnais 5¼ 97	0⅛	99⅜	100	1/10	16	16.04
Credit Nat. 5¼ 94	‡0⅛	98⅜	98⅞	9/6	14.89	14.67
Denmark, Kngdm. of 92	0¼	†99⅜	99⅞	25/8	15.44	15.52
Den Norske Cred. 5¼ 93	0⅛	97⅞	98⅜	4/6	13.56	13.82
Genfinance 5¼ 92	0⅛	99⅜	99⅞	30/6	15½	15.56
Ind. Bank Japan 5¼ 88	0⅛	98⅞	99⅜	12/11	14⅛	14.63
Kansallis Osake 5½ 92	0⅛	99⅝	99⅞	6/6	5⅞	5.53
Lloyds Eurofin 5¼ 93	§0⅛	99⅛	99⅝	29/9	17.13	17.24
J. P. Morgan 5¼ 97	§0⅛	99⅛	99⅝	12/8	14⅝	14.77
Nat. West. Fin. 5¼ 91	§0⅛	99⅛	99⅝	15/7	15.19	15.76
New Zealand 5¼ 87	0⅛	99½	100	7/10	15.58	15.60
Nippon Credit 5¼ 90	0⅛	99⅜	99⅞	10/8	16.06	16.14
Nordic Int. Fin. 5½ 91	0⅛	98⅞	98⅞	6/11	15⅛	15.42
Offshore Mining 5¼ 91	0⅛	98⅞	99½	2/6	13	13.11
PKbanken 5 91	0⅛	99	99½	17/6	14⅛	14.48
Scotland Int. 5¼ 92	0⅛	98⅞	99⅜	23/9	15⅛	15.53
Sec. Pacific 5¼ 91	0⅛	99	99⅜	24/5	13⅛	13.35
Societe Generale 5¼ 95	0⅛	99⅛	99⅝	1/9	15.31	15.39
Standard Chart. 5¼ 91	0⅛	98½	99	18/5	13.31	13.48
Sumitomo Fin. 5½ 88	0⅛	99½	100	9/8	16	16.04
Sweden 5¼ 89	0⅛	99⅛	99⅝	26/8	15.31	15.41
Toronto Domin'n 5¼ 92	0⅛	99⅛	99⅝	11/8	16⅛	16.46

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	91½	93	+1	5.50
Bow Valley Inv. 8 95	4/81	23.12	97	99	0	48.26
Bridgestone Tire 5½ 96	3/82	470	90½	92⅛	+0⅛	−2.06
Canon 6¾ 96	1/81	829	107⅛	109⅛	+0⅛	12.69
Daiwa Secs. 5½ 96	12/81	513.2	†65	67	−1	−3.70
Fujitsu Fanuc 4½ 96	10/81	5641	96⅛	98⅛	+1⅛	7.47
Furukawa Elec. 5¼ 96	7/81	300	103	104½	+3	−2.87
Hanson O/S Fin. 9¾ 96	8/81	1.38	†87	88	−2	−9.23
Hitachi Cable 5¼ 96	2/82	515	95½	97⅛	+1⅛	1.17
Hitachi Cred. Cpn. 5 96	7/81	1612	86½	88½	+0⅛	6.31
Honda Motor 5½ 97	3/82	841	92½	93⅝	+2⅛	2.07
Inchcape 8 95	2/81	4.55	159½	60⅛	−0⅛	17.93
Kawasaki 5¼ 96	9/81	229	73	74½	+0⅛	3.40
Marui 6 96	7/81	846.4	108⅛	109⅛	+1⅛	5.47
Minolta Camera 5 96	10/81	826.4	67½	69	+2	13.67
Minorco 9¾ 97	5/82	8.16	†86	87½	0	12.96
Murata 5¼ 96	7/81	2188	68	69½	+0⅛	18.88
NKK 6½ 96	7/81	188	84⅛	86⅛	+0⅛	−9.26
Nippon Chemi-C. 5 91	10/81	919	68	70	0	11.73
Nippon Electric 5¼ 97	2/82	848	98⅞	100⅛	−0⅛	6.15
Orient Finance 5¼ 97	3/82	1205	96⅛	97⅛	+0⅛	2.47
Sanyo Electric 5 96	10/81	652	75	76½	+0⅛	11.14
Sumitomo Elec. 5¼ 97	3/82	577.3	93	94½	+1⅛	1.88
Sumitomo Met. 5¼ 96	10/81	296.1	72	73½	+1⅛	23.17
Swiss Bk. Con. 6¾ 90	9/80	191	78⅛	80⅛	+0⅛	25.45
Konishiroku 6 90 DM	2/82	585	107⅛	108⅛	+1⅛	4.74
Mitsubishi H. 6 89 DM	2/82	263	94⅞	95⅞	+0⅛	12.89

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL COMPANIES and FINANCE

ASEA plans to buy state energy stake

BY WILLIAM DULLFORCE IN HELSINKI

ASEA, the Swedish heavy electrical engineer, is negotiating the purchase of the Swedish Government's half share in ASEA-Atom, one of the largest companies within the ASEA group.

The move fits in with the publicly defined policies of Mr Percy Barnevik, ASEA's new managing director, who is attempting to transform ASEA from an electrical group into a broadly based producer of energy equipment.

Sweden has decided to halt its nuclear power programme after building 12 reactors. The state had no interest in retaining ownership in ASEA-Atom, Mr Nils Aasling, the Industry Minister, said. The negotiations aim, however, at securing proper servicing arrangements for the nuclear plants.

ASEA-Atom has built nine boiling water nuclear reactors, of which two have been supplied to Finland. Two more are under construction in Sweden.

The company is bidding for a contract to supply Mexico with nuclear plants and is offering foreign buyers a small nuclear reactor designed for district heating.

Last year it made an operating profit of SKr 218m ($38m) on a SKr 1.9bn turnover. The ASEA group returned pre-tax profit of SKr 855m for 1981 following sales of SKr 19.4bn.

Balance sheet adjustment pulls Alitalia out of red

BY JAMES BUXTON IN ROME

ALITALIA, the Italian state airline, achieved slender profit of L1.8bn ($1.5m) last year, despite the generally poor state of the airline industry and the effect of many strikes, including 12 days of strikes by its pilots.

The profit, which follows two years of losses, is the result of balance sheet adjustments after the sale of aircraft which were replaced by more modern machines. The company says its result was reached after setting aside about L10.5bn from the sale of inter-group assets for a reinvestment reserve.

In 1980 Alitalia incurred a loss of L12.5bn and in 1979 its deficit was L14.5bn.

The airline says its revenue rose by 32 per cent in 1981, from L1,571bn in 1980 to L2,075bn. Revenue from traffic services, and other services was up 22 per cent to L1,758.5bn. Costs taking into account initial and final stock balances, rose by 31 per cent to L2,073bn. About L76bn was allowed for depreciation.

The balance sheet was the first to be certified by external auditors in advance of certified accounts becoming mandatory for this type of company next year.

Preussag raises dividend

By Kevin Done in Frankfurt

PREUSSAG, THE West German metals, transport and energy group, is raising its dividend to DM 8 a share for 1981 from DM 6.

Shareholders are beginning to reap the rewards of the group's improving financial performance following far-reaching restructuring measures in the second half of the 1970s.

Dividends were omitted altogether in 1977 and 1978 and were resumed in 1979 at a level of only DM 3.50 a share.

After hitting a low of DM 72 a share in 1979, the Preussag share price rose to a high of DM 229 in 1981 and this year has traded in a range of DM 188-208. Profits distributed in 1981 increased to DM 50.4m ($22m) from DM 37.8m in 1980.

Earlier this year Preussag raised DM 105m additional equity capital from shareholders in its first rights issue since 1970.

The major shareholder in Preussag is a holding company owned by three banks, Westdeutsche Landesbank, Hessische Landesbank and Deutsche Girozentrale, which together are thought to hold around 35 per cent. A further 10.5 per cent is held by the C. Deilmann group, a West German energy, mining and engineering concern.

Preussag in turn has taken a 25 per cent stake in Deilmann as part of its drive to increase its presence in oil and gas exploration and production, both in West Germany and in the U.S.

BIS figures reveal sharp swings for oil-based funds. Peter Montagnon reports

Bankers take up the OPEC slack

MEMBERS of the Organisation of Petroleum Exporting Countries stepped up their drawings on the international banking system by 66 per cent as the oil price softened in the final quarter of last year.

Latest figures from the Bank for International Settlements (BIS) show that their "net takings" from the system went up to $5.5bn from $3.3bn during the third quarter, though an increasing proportion was accounted for by withdrawals of existing deposits rather than new lending by the banks.

Deposits by OPEC members in Western banks fell by $2.6bn in the fourth quarter to stand at $156.8bn. In the third quarter the drop had been only $900m after adjustment for exchange rate valuation effects.

New lending by banks to OPEC members increased during the quarter by $2.9bn to $72bn after a $2.4bn increase in the third quarter.

Most heavily squeezed by the oil price decline were OPEC members that rely most heavily on Western imports. These include Bahrain, Iran, Iraq, Oman and Libya in the Middle East as well as Nigeria and Indonesia.

The low import absorbing countries such as Saudi Arabia, Kuwait, Qatar and the United Arab Emirates added $4.3bn to their deposits in Western banks although their borrowings also increased by $807m to $9.2bn.

The oil-induced drain on international banking liquidity coincided with a further rapid expansion of international lending generally.

The underlying expansion of lending rose to $55bn during the final quarter from $35bn in the second and $45bn in the third quarter respectively. These figures are after adjustment for pure interbank lending and the effect of exchange rate valuation changes.

On an unadjusted basis international bank lending grew by $119bn during the quarter to $1,542bn, the bank says, though this figure is as usual inflated because of end-year technical factors.

INTERNATIONAL BANK LENDING
($bn total outstanding at end of June)

	1980 Dec.	1981 Mar.	June	Sept.	Dec.
BIS reporting area*	704.4	717.2	702.6	743.8	819.9
Other developed countries	85.7	87.5	88.6	92.3	98.9
Eastern Europe	59.5	58.8	57.1	58.7	60.8
OPEC	70.0	66.3	65.9	68.5	72.0
Other developing countries	193.3	196.1	201.2	212.3	230.1
Offshore centres	188.8	202.7	210.6	255.3	237.5
Total†	1,321.9	1,349.6	1,346.7	1,422.8	1,542.0

* Group of Ten industrialised countries plus Switzerland, Austria, Denmark and Ireland. † Figures include unallocated items.

Source: Bank for International Settlements. Figures are not adjusted for exchange rate valuation effects.

The underlying trend suggests that international bank lending grew by about $165bn last year compared with $160bn in 1980, but in real terms there was a more significant increase because of the fall in world export prices, the BIS says.

A feature of the final quarter was a sharp increase in borrowing by non-oil developing countries, which raised new credit amounting to $16.9bn compared with $11bn in the third quarter.

The bulk of the new money went to Latin America, which took $11.7bn, with particularly strong increases in borrowing being recorded by Mexico and Brazil.

The BIS notes, however, that a large proportion of the new borrowing was redeposited with banks as developing countries tried to strengthen their international liquidity position. Deposits by non-oil developing countries rose by $3.1bn during the quarter after an increase of only $2bn during the third quarter.

The single most important source of funds for international bank lending last year was the U.S. banking system, the BIS says. Growth of U.S. banks' total external assets during the fourth quarter reached $41.3bn, which came on top of a $13bn increase in the third quarter.

During December foreign branches of U.S. banks—mainly those in the Bahamas and Cayman Islands—showed a $15.1bn increase in claims on their parent banks and a $17.2bn decline in their other external assets.

German bank well ahead

BY OUR FINANCIAL STAFF

BERLINER Handels- und Frankfurter Bank (BHF Bank) posted 30 per cent higher partial earnings for the first four months of 1982.

BHF said earnings on interest and commissions rose in the four months while expenses increased modestly and personnel costs were 1 per cent lower. Operating earnings rose even faster than partial earnings as a result of favourable developments in commercial banking.

However, the annual meeting was told that growing business risks will make it necessary for BHF to restore earnings to the level that prevailed before the onset of high interest rates.

The meeting confirmed that the 1981 dividend is to be DM 9 ($4) a share.

Dutch options exchange makes a profit

BY WALTER ELLIS IN AMSTERDAM

THE DUTCH European Options Exchange, set up in 1978, last year recorded a 47 per cent increase in trading activity and made its first profit.

Mr E. A. Brouwer, chairman, says that with a profit of Fl 25,705 ($10,000), the Exchange has now made the breakthrough it had been hoping for and that there is good reason to be satisfied with progress.

Total volume of options in 1981 rose to 1.04m contracts against 709,893 in 1980. But as the exchange's annual report acknowledges, the growth of money volume during the year was less impressive—at Fl 398m, compared with Fl 390m in 1980, an increase of only 2 per cent.

In Dutch options, calls and puts both rose substantially, to a value of Fl 351m, with Philips being by far the most actively traded individual option. Turnover in German options more than doubled last year, involving 10,438 options, but volume in U.S. options fell sharply with just 16,959 contracts valued at $6.3m.

During 1981 the EOE began trading in gold and bond options. Volume in the gold options remained slow because of negative developments by the bullion price.

Senior posts at Procter & Gamble

● From June 1, Mr Malcolm Jozoff, currently PROCTER & GAMBLE'S vice-president—Packaged soap and detergent division, becomes vice-president—southern Europe. He will move to Brussels from Cincinnati and assume responsibility for the company's business in Italy, Spain, Austria and Switzerland, succeeding Mr J. Russell Marsden, who has been elected vice-president—Japan. In this newly-created position, Mr Marsden will move to Osaka from Brussels and assume responsibility for the company's business in Japan. Mr Stephen P. Donovan, currently advertising manager, food products division, will become manager, packaged soap and detergent division, succeeding Mr Jozoff.

INTERNATIONAL APPOINTMENTS

● FLEET FINANCIAL GROUP chairman and chief executive officer, Mr John J. Cummings Jr, has retired. He will continue as a director of the company, formerly known as Industrial National Corp, and its Industrial National Bank subsidiary.

● Mr Grover A. Du Bosc has been appointed vice-president administration for the new SEARS ROEBUCK TRADING COMPANY, and Mr Milan Fabry was named vice-president, operations.

● MACKINTOSH CONSULTANTS, has appointed Mr Hans-Werner Flack as director of its operations in West Germany, based at Darmstadt. Mr Flack, formerly sales manager with Cryophysics GmbH, replaces Mr Peter K. Reichert who has returned to the U.S. to lead Mackintosh operations there.

● Dr Thomas P. Gasser has resigned as general manager finances of SWISS ALUMINIUM COMPANY, Zurich. On June 1, will take up a similar position as a member of the group management of the Brown Boveri concern in Baden. Group finances were the responsibility of Brown Boveri managing director, Mr Piero Hummel. Mr Hermann J. M. Haerri, president of Consolidated Aluminum Corporation, a St Louis-based subsidiary of Swiss Aluminium, will return to Switzerland to succeed Dr Gasser. At Consolidated Aluminum, he will be succeeded by Dr Guy E. Waldvogel, who will remain head of the U.S. holding company Alusuisse of America.

● BANQUE BELGE has appointed Mr Paul-Emmanuel Janssen, a managing director of Société Gènèrale de Banque S.A., a director of the Bank and also of Belgian and General Investments.

● Mr Joe Diedrich has been appointed president of PHH INTERNATIONAL, a wholly-owned subsidiary of PHH Group Inc. He was treasurer of Ford Motor Company's credit operations for Europe.

● McDONNELL DOUGLAS ASTRONAUTICS has appointed Mr Robert H. Hood Jr., to the new position of vice-president for programme development and marketing. Mr Hood, who previously filled a key Government relations position in Washington with McDonnell Douglas Corporation from 1964 to 1971, comes to the corporation's astronautics division from Cheverie and Company, Inc. of Boston.

● Mr Henry J. Thiele has been appointed president of the Quincy Compressor division of COLT INDUSTRIES INC, Quincy, Illinois. He was formerly vice president and general manager of Stemco Inc, Longview, Texas, a division of Colt Industries.

● Mr Rex S. Wolf has joined ASHLAND SERVICES COMPANY as vice president, business systems support.

● Dr John P. Schaefer, president of the University of Arizona, has been elected to the board of directors of OLIN CORPORATION. Dr Schaefer has been a director of the Research Corporation since 1974 and is president-elect of that foundation.

● Mr Wendell L. Dixon, chairman and chief executive officer of Credithrift Financial, Inc has been elected a director of AMERICAN GENERAL CORPORATION Mr George A. Butler, Mr Sterling C. Evans and Mr John M. Bennett have retired.

● The CHICAGO BOARD OPTIONS EXCHANGE has elected Mr Hardwick Simmons as a director. He is senior executive vice president and a director of Shearson/American Express, Incorporated. He will fill the vacancy on the CBOE Board resulting from the resignation of Mr Alger "Duke" Chapman, who has become vice-chairman of the American Express International Bank Corporation.

● Mr Michael Bozic has been appointed vice president—planning for Sears Merchandise Group, Chicago, one of four operating units of Sears, Roebuck and Co. He suceeds Mr John F. Waddle, who was elected president of the newly-created Sears Roebuck Trading Company.

● Mr Robert J. Lanigan has been elected president and chief operating officer and Mr William F. Spengler as vice chairman and chief administrative officer of OWENS-ILLINOIS. For the past three years, Mr Spengler has been president and chief operating officer of domestic operations and Mr Lanigan has been president and chief operating officer of international operations.

● Mr James L. Chung has been apopinted director of financial relations for FUJI PHOTO FILM USA, INCORPORATED. He was a vice president and photographic industry analyst for Merrill Lynch, Pierce, Fenner and Smith.

● Mr William F. Roche has been elected president of BASIC INCORPORATED, a Cleveland-based subsidiary of Combustion Engineering, Incorporated. He succeeds Mr Anthony M. Calto, who is retiring.

● Mr Thomas Barman has joined CROCKER BANK'S foreign exchange department, San Francisco, as a senior vice president and global foreign exchange manager. He was a vice president of the Irving Trust Company and managed its New York foreign exchange and customer advisory unit.

● Mr Philip Jacob has been apointed to the board of the CITY OF DUBLIN BANK. He is senior partner in a leading firm of Dublin stockbrokers.

● Mr Lawson L. Swearingen will be retiring as chief executive officer of COMMERCIAL UNION CORPORATION U.S. on August 1. He will be succeeded by Mr Howard H. Ward, president and chief operating officer.

● Mr Magnus Diesen has been appointed vice president-market research of the JAAKKO POYRY GROUP. He was a project manager within Jaakko Poyry.

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Buoyant domestic sales boost Suzuki Motor

BY YOKO SHIBATA IN TOKYO

SUZUKI MOTOR, Japan's leading mini car manufacturer and its third largest motorcycle producer, posted record sales and operating profits in the year ended March because of buoyant domestic sales.

Unconsolidated full year operating profits rose 20.5 per cent to Y15.98bn ($68m) from a year earlier. Net profits rose 14 per cent to Y5.47bn on sales up 20 per cent to Y551.52bn ($2.3bn). Per share profits moved up to Y20.72 from Y19.97.

Total motorcycle sales advanced 18 per cent to 1.86m units, yielding a similar 18 per cent gain in sales value. Domestic motorcycle sales volume increased by 55 per cent and yielded a 69 per cent gain in value.

Motor car sales increased by 14 per cent to 573,000 units, yielding a 21 per cent gain in value.

Total exports rose by 10 per cent to account for 44 per cent of turnover. However, due to strong domestic sales, the exports share of total sales declined by 4 per centage points.

Operating earnings were boosted by Y19.6bn of positive factors such as higher sales volume (worth Y11.8bn) rationalisation and cost cutting (Y7.1bn) and exchange gains from the yen's depreciation against the U.S. dollar.

These were partially offset by Y14.8bn of negative factors such as Y3.3bn of higher labour costs and Y6.6bn of extra depreciation charges.

Suzuki's 1981 capital outlays, centreing on capacity expansion of motocycles and cars, totalled Y35bn. The company plans capital outlays of Y40bn in the current year to lift annual production of motorcycles by 140,000 units to 2.1m and cars by 27,000 to 600,000 units.

The company is forecasting operating profits of Y17bn for the year, up by 6.3 per cent, net profits of Y6.8bn, up by 24.3 per cent and sales up by 8.8 per cent to Y600bn. Suzuki plans to increase its dividend by Y0.5 to Y6.

General Motors of the U.S. took a 5.3 per cent stake in Suzuki last August as part of a financial and trading tie-up. They hope to co-operate on mini-car production for the U.S.

Last month the Indian Government chose Suzuki as the foreign partner for Maruti Udyog, the state-owned car company.

PAL cuts first-quarter deficit by 66%

By Emilia Tagaza in Manila

THE SOFTENING of foreign interest rates, stable fuel prices, and the introduction of more flights to the lucrative Middle East market, have helped reduce the first-quarter 1982 loss of Philippine Airlines (PAL) to 69m pesos (US$8.2m). This is 66 per cent less than the net loss of 203m pesos incurred in the same period of 1981.

Mr Roman Cruz Jnr, PAL's president, said in his report to stockholders that the favourable first-quarter results reinforce the company's hopes of returning to profitability this year.

PAL made an operating profit of 16m pesos in the quarter, compared with an operating loss of 138m pesos last year.

For all of 1981 PAL's net loss reached 595m pesos despite record revenues of 4.2bn pesos.

Mr Cruz said that the most significant development making 1982's outlook brighter was the air agreement signed with Saudi Arabia last March. Under the agreement, PAL will be able to fly to Dharan three times a week and this will enable it to capture a significant share of the market for Filipino contract workers moving between the Philippines and Saudi Arabia.

ANZ Banking just ahead at six months

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE Australia and New Zealand Banking Group showed a gain in after-tax consolidated profits, excluding extraordinary items, in the six months to March 31, of 1.2 per cent to A$89.2m (US$94m), from the A$88.1m of the first-half of 1980-81.

With the inclusion of extraordinary items, consolidated after-tax profits for the group showed a fall of 0.5 per cent to A$91m, from A$91.5m.

An unchanged interim dividend of 14 cents per share has been declared, from earnings a share of an adjusted 42.31 cents, against 42.7 cents.

The ANZ's interim operating profit before tax was 3.5 per cent down at A$160.2m, on group income showing a gain of 32.7 per cent to A$1.28bn, from A$966m.

As with the National Bank of Australasia and the Bank of New South Wales, which published interim figures last week, ANZ reported pressure on trading bank operations, but found support from finance company earnings.

ANZ's finance companies, Esanda, and Finance Corporation of Australia, increased combined operating profits by 8.5 per cent to A$25.5m, from A$23.5m. But parent bank operating profits fell 7.5 per cent, to A$37.2m, from A$40.3m. ANZ Banking Group (New Zealand) lent its support to overall profits with consolidated earnings of A$8.6m, up 11.9 per cent.

The Australian trading bank operations were hit by official restrictions on lending growth, said the directors, and by cost increases, particularly in the field of personnel.

Taiping Textiles in the red

By Wong Sulong in Kuala Lumpur

TAIPING TEXTILES, Malaysia's biggest quoted textile group, suffered a pre-tax loss of 1.58m ringgit (US$0.69m) for the year ended December compared with a profit of 6.7m ringgit in 1980. Turnover was marginally lower at 54m ringgit.

The setback is indicative of the bad times facing the Malaysian textile industry, which has been hard hit by falling export orders.

The company said its costs had risen significantly, particularly electricity.

A tax-free dividend of 7.5 cents has been declared compared with 10 cents previously.

Marginal rise in profits at Zim Israel Navigation

BY L. DANIEL IN TEL AVIV

ZIM ISRAEL Navigation Company, the country's national carrier, has reported a 4.7 per cent increase in 1981 net profits to US$10.39m from US$9.92m a year earlier. The profits are calculated at exchange rates in force at the respective year ends.

Turnover rose to $738m from $707m although the volume of cargo carried was virtually stagnant at 8.2m tonnes. This consisted of 6.2m tonnes of Israeli imports and exports and the balance of third country cargoes which accounted for 54 per cent of total profits.

The company sold three ships last year and collected insurance on two lost at sea. It took delivery of two new large container ships costing $68m and another four ships are being built for it at a total cost of $150m for delivery late next year. In addition a $35m container ship was delivered at the beginning of 1982.

● ALLIANCE TIRE & Rubber, the major Israeli tyre company, said first quarter net profit was Sh 899,000 (U.S.$47,000), down from Sh 8.15m in the first quarter of 1981. Sales for the quarter were Sh 387.03m against Sh 171.47m a year ago.

The company said that at the end of this year's first quarter $1 equalled Sh 19.159 compared with Sh 8.826 a year earlier.

Mr Mordechai Greenberg, president, said high financing expenses in Israel continued to have a significant adverse impact on profits.

● ELSCINT, the Israeli electronics company, will spend about $60m including outside grants in three years for research and development to maintain and expand its worldwide market share in the growing medical diagnostic imaging field, Dr Auraham Suhami Chairman and chief executive officer, told security analysts in New York.

Dr Suhami said Elscint intends to introduce an integrated digital radiography system during the latter part of 1982 and has started an R and D programme on nuclear magnetic resonance.

KAC plans expansion of services

By James Dorsey in Kuwait

KUWAIT AIRWAYS Corporation (KAC) plans to expand its services in an effort to reduce its losses. Among the plans is the introduction of an air taxi service employing planes capable of accommodating eight passengers.

The planes will make up to six hour non-stop journeys to destinations in both the Gulf and Europe.

KAC is also expected to initiate flights this summer to both Nice and Malaga and to increase the number of flights to Cairo, Amman, Damascus, Karachi, London and New York.

Alcoa Australia seeking smelter project partner

MELBOURNE—Alcoa of Australia is seeking joint venture partners to participate in the company's A$1bn (US$1.06bn) aluminium smelter project at Portland, Victoria, Sir Arvi Parbo, the chairman, said.

Sir Arvi's statement was released following reports of the move in Japanese trade journals and he noted that while talks had been held with several companies, no decision had been made.

Alcoa, which is 51 per cent owned by Aluminum Company of the U.S., is so far only committed to the first stage of the two stage project and the overall construction timetable is currently under review.

The company came close to withdrawing from the scheme late last year when Victoria's state electricity commission tried unsuccessfully to raise its power prices by 25 per cent.

Reuter

Slower growth at TNT

BY OUR FINANCIAL STAFF

THOMAS NATIONWIDE Transport, the Australian-based international transport and freight company, has reported a net profit of A$51.2m (US$54m) for the nine months ended March against A$36.07m a year earlier. Growth slowed considerably from the first half because of a worldwide reduction in economic activity.

Revenues rose by almost 20 per cent to A$960.45m from A$802.77m a year earlier. The company declared an unchanged quarterly dividend of 3 cents a share out of earnings of 25.6 cents a share against 24.9 cents.

The net profit was before an extraordinary loss of A$10.06m, mainly from currency exchange losses, compared with an extraordinary profit of A$3.3m a year earlier.

TNT said it expects its full year net profits to be well ahead of last year's A$53.1m despite the effects of the world economic slowdown.

WORLD STOCK MARKETS

Early Wall Street fall of 9.1

STOCKS ON Wall Street declined sharply over a broad front yesterday morning in a fair turnover as investors worried about interest rates.

The Dow Jones Industrial Average fell 9.1 to 845.65 at 1 pm while the NYSE All Common Index dipped 52 cents to $67.59. Declines outpaced advances by a three-to-one margin with trading volume amounting to 33.35m shares, compared with 33.80m recorded at 1 pm last Friday.

Analysts said Wall Street may be disappointed that no major banks have followed Wachovia National's lead in cutting Prime Rate. Wachovia lowered its rate to 16 per cent last Thursday.

Analysts noted that the Bond market was also weak and that investors may have read that as a sign that U.S. interest rates would not trend lower in the near-term.

The D-J Average was also affected by a number of Blue Chip stocks trading ex-dividend, including International Paper, off 1⅛ to $35⅞, Minnesota Mining, down ⅞ to $54⅞, and United Technologies, ⅞ easier at $39⅞.

Middle South Utilities was the volume leader, off ⅛ to $13 on turnover of about 859,000 shares. Last Thursday, a public offering by the utility of 10m shares became effective, offered at $14.30 per share.

Sony was the second most active issue and slipped ⅛ to $16⅛. The company plans to start selling a micro-computer system in the U.S. in September.

THE AMERICAN SE Market Value Index receded 1.95 to 277.00 at 1 pm on volume of 2.67m shares (2.60m).

Dataproducts fell 1⅛ to $22 in heavy trading after reporting sharply lower earnings.

Canada

Most sectors on Canadian markets also pointed lower in moderate trading at mid-session yesterday.

The Toronto Composite Index retreated 7.7 to 1,557.1 on volume of 1.55m shares, with declines leading gains by 169 to 110 on the Exchange.

Eleven of the 14 indices were lower, as Oil and Gas lost 13.6 to 2,784.3, Golds 17.0 to 2,131.0 and Real Estate 13.6 to 3,547.7.

Canada Trustco slipped 1⅛ to C$23, Bay Mills C$1 to C$8¼, Cominco ½ to C$41 and Dome Mines ¼ to C$13.

Dome Petroleum, which reported a first-quarter loss compared to a profit a year-ago, was off ⅛ at C$8⅛ in active trading.

Among other actives, Bow Valley put on ⅛ at C$15⅞ and Massey-Ferguson 10 cents at C$3.20, but B.C. Resources shed 5 cents to C$3.25.

Closing prices for North America were not available for this edition.

Tokyo

Sporadic bargain hunting concentrated on Blue Chip issues left the overall market firmer inclined, although trading was thin due to uncertainty over the yen-dollar future trend.

An analyst commented that export-orientated issues and, especially, High Technology stocks were preferred as investors took encouragement from the view that trade conflict between Japan and its Western partners showed signs of easing. Also, some recent signs of recovery in the U.S. economy aided sentiment.

The Nikkei-Dow Jones Average rose 43.58 to 7,619.39 and the Tokyo SE index 2.60 to 563.33, but volume decreased to 210m shares from last Friday's 290m. Gains outscored declines on the First Market by 337 to 266.

Heavy Electric Machine Makers, Precision Instruments, Light Electricals, Steels and Motors were in demand. Pharmaceuticals and Mining issues advanced initially, but encountered liquidations later and ended on a mixed note.

Sony led Light Electricals ahead, climbing Y170 to Y3,910. Its solid performance here and on Wall Street at the end of last week on a series of recent developments apparently spurred investor interest. It has announced development of a new colour television receiver based on its digital technology that the company says will produce clearer pictures. It has also concluded a $30m agreement with Hewlett Packard to supply its 3.5-in micro floppy disc system to the U.S. company.

Hitachi moved ahead Y16 to Y699, Ricoh Y14 to Y540, TDK Electronic Y70 to Y3,910, Fuji Film Y40 to Y1,500 and Honda Motor Y19 to Y780.

Optical Fibre and Synthetic Fibre Manufacturers firmed, with Sumitomo Electric gaining Y15 to Y533 and Mitsubishi Rayon Y7 to Y265. Low-priced Domestic issues were mixed.

Germany

Bourse prices failed to maintain a firm start and ended mixed on balance. Turnover dwindled once an initial flurry of orders had been executed, dealers said.

They attributed the lack of follow-through buying to the absence of fresh stimuli, but noted that subsequent selling was only modest on expectations that the market will hold at the recent chart resistance point.

Department Stores were broadly higher after encouraging West German retail sales figures, released last Friday. Kaufhof added DM 1.50 at DM 162.20 and Horten DM 1 at DM 118.50.

Deutsche Babcock featured firmly in Engineerings with a rise of DM 6 to DM 202, but Linde displayed renewed weakness by falling DM 4.40 to DM 270.50.

West German Bond prices closed narrowly mixed after an uneventful session. The Bundesbank bought DM 5.8m of public sector paper.

Australia

Markets drifted without direction yesterday on low turnover as traders waited for indications from overseas markets.

However, there was an outbreak of speculative activity in the cheaper Oils on news that Pancontinental's Kikeh No. 1 well had encountered some oil in the first drill-stem test. The well has only been in work for a week. Pancontinental Petroleum gained 7 cents at 48 cents, Bligh Oil 13 cents at A$1.25 and Sydney Oil 15 cents at A$1.00.

Gold Mining issues provided firm spots in Central Norseman, up 15 cents at A$4.80, and GMK, 20 cents higher at A$3.90.

CSR was only 5 cents easier at A$3.30, although it had to swallow more bad news from the commodities markets with sugar now down to its lowest point in almost three years.

ANZ shed 25 cents to A$4.30 in easier Banks on disappointing interim half-year results.

Hong Kong

Stock prices mostly drifted lower yesterday in fairly quiet trading as the consolidation that began last week continued. The Hang Seng index slipped 6.03 to 1,361.50. On the four exchanges, combined turnover came to HK$246.91m, down from last Friday's HK$307.36m.

Brokers said that they expect further consolidation in coming days as the market digests its rapid gains of recent weeks. Turnover is also expected to tail off until trading receives a new stimulus. However, the next major break should be up, they added.

Utilities issue HK Electric put on 10 cents to HK$6.35 against the trend but HK Telephone lost 55 cents to HK$29.70.

Johannesburg

Gold shares were generally firmer with the bullion price in improved turnover. St Helena stood out with a rise of R2.50 to R31.00, while Kloof advanced R1.50 to R30.00.

Diamond leader De Beers eased 5 cents to R4.95 after news of its Lesotho mine closure.

Falls outnumbered rises by about three-to-one in Industrials, where Tiger Oats shed 25 cents to R18.75.

Indices

NEW YORK —DOW JONES

	May 14	May 13	May 12	May 11	May 10	May 7	1982 High	1982 Low	Since Cmpil't'n High	Since Cmpil't'n Low
◆Industr'ls	857.72	858.11	865.77	865.87	860.92	869.20	882.52 (4/1)	795.47 (8/3)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds	59.99	60.06	59.93	59.92	60.06	59.81	60.06 (10/5)	55.87 (12/2)	—	—
Transport	350.84	360.22	360.70	352.84	349.55	352.80	388.46 (7/1)	314.56 (8/3)	447.38 (16/4/81)	12.32 (8/7/32)
Utilities	115.57	116.22	116.75	116.91	116.58	116.86	116.96 (7/5)	103.81 (15/1)	165.32 (20/4/69)	10.5 (28/4/42)
Trading Vol 000-†	49,900	58,250	59,210	54,690	48,600	67,150	—	—	—	—

◆ Day's high 864.54 low 853.38

Ind. div. yield %	May 7	April 30	April 23	Year ago (Approx)
	6.42	6.58	6.47	5.71

STANDARD AND POORS

	May 14	May 13	May 12	May 11	May 10	May 7	1982 High	1982 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls	131.66	131.75	132.74	132.98	131.74	133.03	137.28 (4/1)	118.41 (8/3)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	118.01	118.22	119.17	119.42	118.38	119.47	122.74 (4/1)	107.34 (8/3)	140.52 (28/11/80)	4.407 (1/6/32)

	May 12	May 5	April 28	Year ago (approx)
Ind. div. yield %	5.52	5.61	5.64	4.70
Ind. P/E Ratio	8.02	7.91	7.88	9.91
Long Gov. Bond yield	12.77	12.91	12.93	13.72

NY. S.E. ALL COMMON

May 14	May 13	May 12	May 11	1982 High	1982 Low
68.11	68.20	68.69	68.80	71.20 (4/1)	62.52 (12/3)

Rises and Falls

	May 14	May 13	May 12
Issues Traded	1,865	1,869	1,891
Rises	651	571	678
Falls	726	853	782
Unchanged	488	445	431
New Highs	27	31	57
New Lows	16	18	9

MONTREAL

	May 14	May 13	May 12	May 11	1982 High	1982 Low
Industrials	288.19	289.24	292.57	292.93	332.79 (4.1)	270.48 (16.3)
Combined	270.52	271.58	274.41	274.51	316.08 (4.1)	259.08 (16.3)
TORONTO Composite	1554.8	1570.2	1583.9	1592.6	1956.3 (4.1)	1526.5 (5/6)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Amer. Airlines	1,849,200	17¼	+1
Sony	1,454,700	16½	+ ¾
Boeing	1,079,900	20¾	+ ½
Braniff	954,600	⅞	− ⅛
Mid.So. Utl.	672,700	13¾	− ¼
Datapoint	728,400	14¾	+1¼
Delta Air	634,100	32¾	+1½
TransWorld	643,900	21¾	+ ¾
Tandy	589,700	28¾	+ ¾
K. Mart	553,700	18⅛	− ¾

	May 17	May 14	May 13	May 12	1982 High	1982 Low
AUSTRALIA All Ord. (1/1/80)	519.1	519.5	520.4	526.3	595.5 (4/1)	455.6 (10/3)
Metal & Minls. (1/1/80)	380.2	378.8	384.6	395.8	425.1 (5/1)	322.2 (2/4)
AUSTRIA Credit Aktien (2/1/62)	52.53	52.56	52.47	52.46	56.96 (4/1)	52.16 (19/4)
BELGIUM Belgian SE (31/12/65)	94.52	94.61	94.84	94.66	102.45 (5/4)	86.42 (20/1)
DENMARK Copenhagen SE (1/1/73)	118.78	118.29	119.42	118.81	126.22 (25/2)	112.90 (9/3)
FRANCE CAC General (31/12/81)	110.2	110.60	111.4	111.8	111.8 (12/5)	95.6 (4/1)
Ind Tendance (31/12/81)	123.9	123.50	124.4	124.8	124.8 (12/5)	97.7 (4/1)
GERMANY FAZ-Aktien (31/12/58)	231.49	231.01	230.09	231.05	238.45 (6/4)	218.55 (18/1)
Commerzbank (Dec 1953)	705.5	704.20	701.4	704.5	729.8 (5/4)	666.7 (18/1)
HOLLAND ANP-CBS General (1970)	94.5	94.2	95.0	94.7	95.9 (10/5)	84.9 (6/1)
ANP-CBS Indust (1970)	74.6	73.9	73.8	74.8	74.8 (10/5)	63.2 (4/1)
HONG KONG Hang Seng Bank (31/7/64)	1361.50	1367.53	1368.85	1387.55	1445.82 (12/1)	1129.88 (9/3)
ITALY Banca Comm Ital. (1972)	184.15	185.31	182.39	185.50	212.68 (19/3)	181.45 (13/1)
JAPAN** Dow Average (16/5/49)	7619.39	7575.81	7603.21	7539.78	7928.55 (27/1)	6899.53 (17/3)
Tokyo New SE (4/1/68)	563.33	560.73	562.29	557.04	585.29 (27/1)	520.79 (17/3)
NORWAY Oslo SE (1/1/72)	(c)	125.54	123.30	121.84	150.38 (26/1)	109.12 (1/4)
SINGAPORE Straits Times (1966)	773.81	781.82	783.77	776.85	810.76 (8/1)	687.49 (9/3)
SOUTH AFRICA Gold (1958)	(u)	418.2	(u)	412.9	588.3 (6/1)	410.6 (11/5)
Industrial (1958)	(u)	593.1	(u)	592.0	711.7 (8/1)	553.4 (29/3)
SPAIN Madrid SE (30/12/81)	(c)	101.0	101.55	101.50	107.46 (9/2)	99.17 (5/1)
SWEDEN Jacobson & P. (1/1/58)	594.07	589.75	568.28	565.69	658.52 (22/1)	565.32 (28/4)
SWITZERLAND Swiss Bank Cpn. (31/12/58)	260.4	260.4	256.9	260.2	265.1 (11/1)	242.3 (11/3)
WORLD Capital Intl. (1/1/70)	—	139.1	138.6	140.5	147.2 (4/1)	129.1 (17/3)

(**) Saturday May 15: Japan Dow (c) TSE (c)

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000: the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed u Unavailable.

هكذا من الأصل

LONDON STOCK EXCHANGE

Industrial leaders react sharply awaiting Falklands developments—30-share index falls 14.8 to 575.8

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Apr 30	May 13	May 14	May 24
May 1	June 3	June 4	June 14
June 7	June 17	June 18	June 28

* "New time" dealing may take place from 9 am two business days earlier.

London stock markets were again dominated by the Falkland Islands crisis. Yesterday, the first session of a three-week trading Account, saw a marked reaction in leading shares as the underlying tone became increasingly uncertain on worries about the possibility of an imminent collapse of the UN mediation attempts followed by a major military clash. British Funds, in contrast, charted a relatively steady course.

The overall volume of business again left much to be desired but, after a modest mark-down at the opening, equity quotations drifted progressively lower in a market lacking support.

The FT 30-share index closed at the lowest of the day with a fall of 14.8 to 575.8. Dividend deductions on index constituents accounted for about four points in yesterday's fall, which was its biggest single day setback for six months. Selling was usually light, but offerings in an unwilling market became a little more persistent in the afternoon. The FT-Actuaries All Share index reacted 1.2 per cent to 332.73.

Glaxo, a strong market of late on hopes for its Zantac anti-asthma drug, reacted fairly sharply following profit-taking, while electricals, favoured initially after fresh comment on [illegible], eventually succumbed to the general trend.

Continuing tight conditions in money markets restrained the short end of the Gilt-edged market; quotations were marginally better initially, but subsequently reacted to last Friday's closing levels. Mediums and longs, on the other hand, improved by up to ¼, sentiment being bolstered by Mr Leon Brittan's repeated optimism about the UK economy. The Government securities index hardened 0.19 to 69.34.

Minet below best

Minet followed Friday's rise of 12 with a gain of 3 to 187p xd, after 191p, on continuing talk of a bid from Corroon and Black of the U.S. which already owns a 20 per cent stake in the company. Other Lloyds Brokers were mixed with Sedgwick closing 6 better at 171p and Stenhouse a few pence dearer at 117p; the latter's interim figures are due on Thursday. Awaiting today's preliminary figures, C. E. Heath dipped 7 to 338p. Apart from Eagle Star, which hardened a couple of pence more to 371p on press comment, Composites drifted lower. GRE shed 7 to 270p and Royals 5 to 337p.

The major clearing banks made progress in response to press comment. Barclays, which last week announced a resumption of Saturday banking in September, rose 10 to 465p. ANZ featured overseas issues with a drop of 20 to 240p following the disappointing interim figures. Elsewhere, Minster Assets hardened a penny to 80½p after press comment while Guinness Peat firmed 2 afresh to 82p on further consideration of the probable sale of the group's commodity trading business.

Electrical appliance wholesalers Martin Black staged a quiet debut in the Unlisted Securities Market; from an opening level of 94p, the shares drifted back to close at 92p compared with the placing price of 90p.

Breweries passed a quiet trading session, but Whitbread A closed a few pence dearer at 113p following preliminary figures in line with expectations, while satisfactory half-year results prompted a gain of 6 to 186p in Matthew Brown.

The undertone in Buildings stayed firm and the leaders made further modest progress. Tarmac added 4 to 564p xd and BPB Industries a like amount to a 1982 peak of 446p. Press comment helped London Brick to rise 2 to 100p. Redland also improved 2 to 178p, but Blue Circle softened that much, to 494p. Elsewhere, further speculative demand lifted Breedon and Cloud Hill 5 to 174p, while Thomas Warrington put on 2 to 97p awaiting today's annual results. Francis Parker, a good market last week on bid hopes, added a penny more to 25p, while Nottingham Brick firmed 3 to 158p following press comment. Timber issues contrasted: Magnet and Southerns, 164p, and Travis and Arnold, 192p, losing 4 apiece on lack of interest.

Turnover in ICI was small and the price drifted off to close 4 cheaper on balance at 318p, after 322p. Fisons ended 5 down at 315p, while Amersham closed 3 off at 214p.

Store leaders succumbed to the general malaise. Up 5 on Friday, UDS retreated 3 to 58p, while Marks and Spencer eased a similar amount to 159p xd as did British Home, to 156p xd. Gussies A shed 5 to 497p and Debenhams softened a penny to 74p; the latter's annual figures are due on Friday. Elsewhere, James Beattie A firmed 3 to 133p following the results and proposed 100 per cent scrip-issue. Despite the interim profits setback, Selincourt touched 12p before closing a fraction harder at 11¾p. Prevailing bid hopes bolstered J. Hepworth, 2 up at 106p.

The popular defence stocks in the Electrical sector closed at the day's lowest following sporadic offerings and lack of fresh support. GEC fell 13 to 89p, while Plessey relinquished 3 to 425p as did Racal, 417p and Thorn EMI cheapened 5 to 445p. Elsewhere, helped to a certain extent by call option business, ESI London firmed 6 more to 297p, while George H. Scholes appreciated 7 to 324p. Dubilier improved 2 to 81p ahead of tomorrow's preliminary figures but Chloride gave up a penny to 20p following adverse comment.

Davy Corporation took a turn for the worse in Engineerings, falling 7 to 129p, after 128p, on the announcement that the company has lost its position as consortium leader for construction of the £1.5bn steel plant in India. Other Engineering leaders mirrored the general dull trend, closing with falls ranging to around 10. Vickers lost 9½ to 155p xd and Hawker shed 8½ to 320p xd, while GKN dipped 6 to 162p.

Certain Food retailers turned dull awaiting details of Tesco's price cuts, Associated Dairies giving up 6 to 118p and J. Sainsbury 10 to 600p; Tesco held at 53p. Among other Foods, Tate and Lyle shed 4 to 186p and British Sugar 35 to 455p xd on worries about falling sugar prices. Press comment prompted a couple of firm spots, Huntley and Palmer rising 4 to 96p and Nurdin and Peacock 2 to 148p.

Unilever disappoints

Miscellaneous industrial leaders got the new Account off to a dull start. The Falkland Islands crisis restrained business with sentiment also undermined by disappointments with Unilever's first-quarter figures. Unilever ended 10 off at 610p after reporting first-quarter profits some £10m below expectations, while BOC finished 4 cheaper at 165p despite reporting annual profits up by a third. After last week's rise of 57 on hopes that the group's Zantac anti-ulcer drug might soon receive U.S. approval, Glaxo encountered profit-taking and fell 13 to 677p. Beecham gave up 8 to 273p in sympathy, while Bowater dipped 6 to 212p xd. Against the trend, Reed International gained 6 to 308p after week-end Press comment. Elsewhere, Aeronautical and General Instruments, a thin market, jumped 23 to 223p on defence spending hopes and Extel firmed 4 to 307p following renewed support ahead of results scheduled for May 27.

Among Motor Components, Dunlop shed 2 to 68p xd and Lucas Industries a penny to 193p. Automotive Products hardened a penny to 56pxd; the announcement that Lucas has arranged to place 6.6m Ordinary shares and 0.88m Cum. Preference shares in Automotive through the market came well after the official close. Kwik-Fit (Tyres and Exhausts) firmed 3½ to 51p xd on further consideration of the preliminary results. Hopes of increased Government spending on defence helped aerospace issue Dowty to rise 5 to 131p.

Land Securities touched 292p in immediate response to the preliminary results before drifting off to close 2 cheaper on balance at 283p. MEPC touched 200p before reverting to the overnight level of 197p, while Slough Estates softened a couple of pence to 127p. Churchbury Estates again lacked support and shed 20 to a 1982 low of 595p.

Oils cautious

The tone in Oils was cautious and quotations succumbed to scrappy selling. Shell touched 422p before closing 4 cheaper on balance at 416p awaiting tomorrow's first-quarter figures, while British Petroleum finished 6 down at 314p.

Overseas Traders were featured by a speculative rise of 6 to 73p in Tozer Kemsley and Millbourn on vague bid suggestions.

Courtaulds came under pressure and shed 5 to 89p; the preliminary results are due on May 27. Elsewhere in the Textile sector, Lister attracted fresh speculative support and put on 3 to 35p, but Tootal shed that much, to 34½p, and A. Beckman lost 4 to 73p.

Tobaccos turned easier in the absence of support. Bats lost 15 to 442p xd, while Imperial shed 1½ to 95½p and speculative Rothmans relinquished 4½ to 94½p.

A depressed market of late following the South African Supreme Court's decision to veto Kirsch Industries' partial bid, Greatermen Stores A rallied 20 to 250p.

Golds edge higher

South African Golds made modest progress for the fourth successive trading day as the bullion price continued to edge higher amid growing concern over the situation in the South Atlantic.

Initially steady in subdued trading, the sharemarket began to move ahead around mid-day with speculative interest fuelled by reports that British warships were under attack off the Falkland Islands.

However, the absence of official confirmation of the reports encouraged minor profit-taking and quotations generally closed below the day's best.

The Gold Mines index rose 0.5 more to 236.4, restrained by the Orange Free State mines in the Anglo American group going "ex" the April dividend payments. The bullion price added $2.875 at $338 an ounce.

South African Financials gained ground in line with Golds but London issues were easier, unsettled by relatively sharp falls in UK equities.

Deals arranged in Traded Options amounted to 1,675, comprising 1,232 calls and 443 puts. Courtaulds attracted 467 calls, 386 of them in the July 90 series.

FINANCIAL TIMES STOCK INDICES

	May 17	May 14	May 13	May 12	May 11	May 10	A year ago
Government Secs	69.34	69.15	69.21	69.41	68.94	69.01	67.23
Fixed Interest	69.74	69.97	69.90	69.78	69.37	69.42	68.75
Industrial Ord	575.8	590.6	585.2	590.9	585.1	590.5	562.3
Gold Mines	236.4	235.9	231.8	229.8	226.0	228.8	366.6
Ord. Div. Yield	5.39	5.27	5.32	5.28	5.33	5.30	5.86
Earnings, Yld.% (full)	11.14	10.90	11.00	11.04	11.15	11.08	11.51
P/E Ratio (net) (*)	10.96	11.21	11.11	11.16	11.05	11.12	10.90
Total bargains	16,947	17,790	15,467	18,212	18,354	18,535	22,224
Equity turnover £m.	—	167.18	146.69	175.45	147.98	148.90	134.25
Equity bargains	—	15,835	15,387	14,804	14,951	14,191	16,520

10 am 584.3. 11 am 583.3. Noon 581.6. 1 pm 580.5.
2 pm 579.4. 3 pm 578.4.

Basis 100 Govt. Secs. 16/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.16.

HIGHS AND LOWS

	1982 High	1982 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	69.55 (25/5)	61.89 (5/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int	69.97 (14/5)	62.79 (7/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord	590.9 (12/5)	518.1 (5/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	302.0 (5/1)	209.2 (8/2)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	May 14	May 13
—Daily		
Gilt Edged Bargains	149.9	159.3
Equities Bargains	102.6	99.7
Value	337.9	295.5
5-day Avrge.		
Gilt-Edged Bargains	167.2	171.7
Equities Bargains	97.4	94.0
Value	317.8	313.1

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Courtaulds	89	−5	Land Securities	283	−2
Glaxo	677	−13	Legal & General	242	−3
Hawley Grp	91	+4	Minet Hldgs	187xd	+3½
Heath (C.E.)	338	−7	Selincourt	11¾	+¼
Imperial Grp	95½	−1½	Shell Transport	416	−4
Kwik-Fit	51xd	+3½	Unilever	610	−10

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in S.E. Official List

Stock	No. of price changes	Friday's closing price pence	Day's change	Stock	No. of price changes	Friday's closing price pence	Day's change
Trident TV 'A'	24	77	+6	BP	14	320	+6
Grand Met	20	223	+5	Clyde Pet	14	108	−2
GEC	19	903	+13	LASMO	14	345	+5
UDS	19	61	+5	Shell Trans	14	420	+4
Ass Heat Srvs	17	275	—	Grindlays	13	220	+5
Jhnsn Gp Clnrs	16	234	+27	Inter-City Inv	13	58	—
Electro - Prolve Corp of Amer	15	96	—	Leigh Ints	13	108	+12

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
May 10	May 21	Aug 12	Aug 23
May 24	June 11	Sept 2	Sept 13
June 14	June 25	Sept 16	Sept 27

For rate indications see end of Share Information Service

Money was given for the call of Rank Organisation, Trident TV A, Poseidon, Imperial Group, Chloride, Vickers, Central and Sheerwood, Hawley Group, Town and City, UDS, Smith St. Aubyn, J. Hepworth, Exco International, De La Rue, Lonrho, KCA International, and Hawkins and Timpson. Puts were arranged in ESI (London), Bambers and Sonic Sound, while double options were transacted in RHM ICI and Town and City.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

NEW HIGHS AND LOWS FOR 1982

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1982.

NEW HIGHS (69)

NEW LOWS (50)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	63	1	28
Corpns. Dom. and Foreign Bonds	5	8	60
Industrials	236	296	812
Financial and Prop.	87	94	328
Oils	22	19	86
Plantations	1	1	10
Mines	39	29	91
Others	29	73	54
Totals	485	529	1,450

WORLD VALUE OF THE POUND

Companies and Markets

CURRENCIES and MONEY

Dollar nervous

The dollar traded nervously in a very quiet foreign exchange market yesterday, recovering from levels seen earlier in the day. Friday's money supply figures were taken as further encouragement to lower interest rates but the market appears to want further evidence and this seems unlikely to be forthcoming in the very near future.

Sterling tended to move in line with the dollar with activity curtailed by the Falkland Islands crisis.

Currencies showed little change within the European Monetary System yesterday. The D-mark remained the strongest currency and was just above its upper divergence limit while the Italian lira was again the weakest member.

DOLLAR — Trade-weighted index 112.6 against 112.8 on Friday and 107.3 six months ago. Three-month Treasury bills 12.28 per cent (10.66 per cent six months ago). Annual inflation 6.8 per cent (7.7 per cent previous month)—The dollar closed at DM 2.3015 against the D-mark compared with DM 2.3060 and SwFr 1.9540 from SwFr 1.9440. It rose against the Japanese yen to Y236.6 from Y235.0.

STERLING — Trade-weighted index 90.2 against 90.1 at noon, 90.2 at the opening and 90.4 on Friday (90.2 six months ago). Three-month interbank 13 7/16 per cent (14 11/16 per cent six months ago). Annual inflation 10.4 per cent (11 per cent previous month)—Sterling opened at $1.83 against the dollar and stayed around the $1.8250 level until late afternoon when dollar demand saw it fall to $1.8170. The pound closed at $1.8185-1.8195, a fall of 60 points. Against the D-mark it fell to DM 4.19 from DM 4.21. It was also down against the French franc at FFr 10.8950 from FFr 11.00, but improved against a weak Swiss franc to SwFr 3.5575 from SwFr 3.55.

D-MARK — EMS member (strongest). Trade-weighted index 125.4 against 125.2 on Friday and 122.3 six months ago. Three-month interbank 9.125 per cent (10.85 per cent six months ago). Annual inflation 5.0 per cent (5.2 per cent previous month)—There was no intervention by the Bundesbank yesterday when the dollar was fixed at DM 2.2915 in Frankfurt, down from DM 2.3090 on Friday. After opening lower, the dollar recovered on short covering in the wake of Friday's U.S. money supply figures. The Swiss franc fell to DM 1.1810 from DM 1.1873 while sterling was easier at DM 4.1840 compared with DM 4.2020 on Friday.

ITALIAN LIRA—EMS member (weakest). Trade weighted index 54.4 against 54.2 on Friday and 55.8 six months ago. Three-month interbank 20 11/16 per cent (21¾ per cent six months ago). Annual inflation 15.5 per cent (16.1 per cent previous month)—The lira showed mixed changes at yesterday's fixing in Milan. The dollar fell to L1,272.8 from L1,284.05 while the D-mark improved to L555.6 from L555.85. Sterling was weaker however at L2,324.9 compared with L2,333.9 as was the Dutch guilder at L499.74 from L500.07. On the other hand the French franc improved to L213.08 from L212.81 and the Belgian franc was firmer at L29.436 against L29.403.

JAPANESE YEN — Trade weighted index 137.7 against 138.2 on Friday and 141.9 six months ago. Three-month bills 7.15625 per cent (7.34375 per cent six months ago). Annual inflation 2.8 per cent (3.1 per cent previous month) — Trading was extremely quiet in Tokyo yesterday. The dollar closed at Y234.20 slightly up from its opening level of Y234.0 - but down from the previous close in New York of Y234.35. There was little fresh news for the market to feed on and trading was kept at a low level by a lack of any firm trend in U.S. interest rates.

THE POUND SPOT AND FORWARD

May 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8170-1.8310	1.8185-1.8195	0.23-0.33c dis	−1.85	0.85-0.75dis	−1.54
Canada	2.2500-2.2650	2.2520-2.2530	0.57-0.67c dis	−3.30	1.45-1.55dis	−2.66
Nethlnd.	4.63-4.66½	4.65-4.66	2-1½c pm	4.51	4⅞-4⅜ pm	3.97
Belgium	78.65-79.10	78.95-79.05	25-35c dis	−4.56	65-75 dis	−3.54
Denmark	14.16-14.22	14.20¼-14.21¼	8-8¾ore dis	−6.91	19⅝-21½ dis	−5.73
Ireland	1.2070-1.2120	1.2085-1.2095	0.66-0.77p dis	−7.10	1.86-2.02dis	−6.42
W. Ger.	4.17½-4.20½	4.18½-4.19½	2-1¾pf pm	5.01	4⅝-4⅜ pm	4.18
Portugal	126.75-128.50	127.00-127.50	110-330c dis	−20.75	320-1,010dis	−20.90
Spain	185.30-186.50	185.45-185.65	50-75c dis	−4.03	195-230 dis	−4.58
Italy	2,316-2,326	2,323-2,325	20-24lire dis	−11.36	59½-63½ dis	−10.58
Norway	10.76-10.83	10.77½-10.78½	4¾-5¾ore dis	−5.60	10½-11½ dis	−4.06
France	10.88½-10.92½	10.89-10.90	14½-16½c dis	−17.07	31½-33½dis	−11.93
Sweden	10.46-10.52	10.47½-10.48½	½ore pm-¼ dis	0.14	½ pm-¼ dis	0.05
Japan	427-433	430-431	2.45-2.25y pm	6.55	6.60-6.40 pm	6.04
Austria	29.40-29.55	29.45-29.50	15½-12gro pm	5.60	34½-27½ pm	4.21
Switz.	3.53-3.56½	3.55¼-3.56¼	3⅝-3⅛c pm	11.38	8¾-8¼ pm	9.56

Belgian rate is for convertible francs. Financial franc 87.25-87.35. Six-month forward dollar 1.15-1.25c dis. 12-month 1.95-2.10c dis.

THE DOLLAR SPOT AND FORWARD

May 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8170-1.8310	1.8185-1.8195	0.23-0.33c dis	−1.85	0.65-0.75dis	−1.54
Ireland†	1.5035-1.5130	1.5035-1.5065	0.72-0.82c pm	6.32	1.90-1.75 pm	4.83
Canada	1.2365-1.2385	1.2380-1.2385	0.14-0.17c dis	−1.50	0.33-0.37dis	−1.13
Nethlnd.	2.5450-2.5530	2.5490-2.5520	1.42-1.32c pm	6.45	3.57-3.47 pm	5.52
Belgium	43.18-43.45	43.43-43.45	7-11c dis	−2.49	17-22 dis	−1.80
Denmark	7.7570-7.8040	7.7980-7.8040	3.10-3.35ore dis	−4.97	7.75-8.25dis	−4.11
W. Ger.	2.2850-2.3050	2.3010-2.3020	1.28-1.23pf pm	6.54	3.29-3.24 pm	5.67
Portugal	69.25-70.10	69.90-70.10	50-200c dis	−21.43	150-525 dis	−13.29
Spain	101.50-102.00	101.85-101.90	15-25c dis	−2.36	70-90 dis	−3.14
Italy	1,270½-1,278	1,277-1,278	9½-10½lire dis	−9.18	28¼-29¼ dis	−9.10
Norway	5.9110-5.9325	5.9250-5.9300	1.70-2.10ore dis	−3.86	3.00-3.40dis	−2.16
France	5.9550-6.0025	5.9875-5.9925	7-8c dis	−15.03	15-16 dis	−10.35
Sweden	5.7400-5.7630	5.7600-5.7630	1.05-0.90ore pm	2.03	2.30-2.15 pm	1.55
Japan	234.00-236.90	236.55-236.65	1.72-1.64y pm	8.52	4.45-4.35 pm	7.44
Austria	16.12-16.19½	16.18½-16.19½	10¼-9½gro pm	7.51	24½-21½ pm	5.68
Switz.	1.9325-1.9575	1.9535-1.9545	2.18-2.10c pm	13.14	5.36-5.28 pm	10.89

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

May 17	Bank of England Index	Morgan Guaranty Changes%
Sterling	90.2	−33.2
U.S. dollar	112.6	+5.7
Canadian dollar	86.4	−19.1
Austrian schilling	118.7	+26.2
Belgian franc	96.0	−1.2
Danish kroner	85.2	−12.3
Deutsche mark	125.4	+48.6
Swiss franc	147.5	+96.8
Guilder	115.6	+22.2
French franc	80.1	−14.4
Lira	54.4	−58.3
Yen	137.7	+32.8

Based on trade weighted changes from Washington agreement December, 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

May 17	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.623889	0.570221
U.S. $	12	1.13891	1.04179
Canadian $	15.41	—*	1.28839
Austria Sch.	6½	18.3923	16.8250
Belgian F.	14	49.2351	45.0081
Danish Kr.	11	8.84250	8.08171
D mark	7½	2.60981	2.38362
Guilder	8	2.90080	2.65084
French Fr.	9½	6.80556	6.21690
Lira	19	1449.55	1325.16
Yen	5½	266.619	244.717
Norwgn. Kr.	9	n/a	6.15700
Spanish Pts.	8	115.956	106.086
Swedish Kr.	10	6.54076	5.98406
Swiss Fr.	5½	2.20914	2.03056
Greek Dr'ch.	20½	71.4643	65.1746

*C$/SDR rate for May 14: 1.40517.

OTHER CURRENCIES

May 17	£	$		£ Note Rates
Argentina Peso	25,736-25,776	14,100-14,150†	Austria	29.35-29.65
Australia Dollar	1.7175-1.7195	0.9446-0.9450	Belgium	87-88
Brazil Cruzeiro	292.50-293.50	160.28-161.08	Denmark	14.13-14.27
Finland Markka	8.141-8.154	4.5010-4.5050	France	10.86-10.96
Greek Drachma	112.50-115.78	62.10-62.30	Germany	4.17¼-4.21¼
Hong Kong Dollar	10.40½-10.43	5.7250-5.7300	Italy	2290-2350
Iran Rial	147.00*	81.10*	Japan	425-435
Kuwait Dinar (KD)	0.5196-0.5206	0.2853-0.2855	Netherlands	4.62½-4.66½
Luxembourg Fr.	78.95-79.05	43.43-43.45	Norway	10.77-10.87
Malaysia Dollar	4.16-4.17	2.2885-2.2910	Portugal	123-135
New Zealand Dlr.	2.3520-2.3560	1.2935-1.2950	Spain	179¼-189
Saudi Arab. Riyal	6.2490-6.2590	3.4510-3.4530	Sweden	10.45-10.56
Singapore Dollar	3.79-3.80	2.0855-2.0880	Switzerland	3.50½-3.56½
Sth. African Rand	1.9315-1.9335	1.0630-1.0635	United States	1.81½-1.83½
U.A.E. Dirham	6.6875-6.6985	3.6715-3.6735	Yugoslavia	81½-96

† Now one rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU May 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.6963	45.0081	+0.70	+0.99	±1.5440
Danish Krone	8.18382	8.08171	−1.25	−0.96	±1.6428
German D-Mark	2.41815	2.38362	−1.43	−1.14	±1.1097
French Franc	6.19564	6.21690	+0.34	+0.63	±1.3743
Dutch Guilder	2.67296	2.65084	−0.83	−0.54	±1.5069
Irish Punt	0.686799	0.688582	+0.26	+0.55	±1.6689
Italian Lira	1305.13	1325.16	+1.53	+1.53	±4.1242

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

For Sterling/ECU rate see CURRENCY RATES table.

EXCHANGE CROSS RATES

May 17	Pound St'rling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.819	4.190	430.5	10.895	3.558	4.655	2324.	2.253	79.00
U.S. Dollar	0.550	1.	2.303	236.7	5.990	1.956	2.559	1278.	1.238	43.43
Deutschemark	0.239	0.434	1.	102.7	2.600	0.849	1.111	554.7	0.538	18.86
Japanese Yen 1,000	2.323	4.225	9.733	1000.	25.31	8.264	10.81	5398.	5.232	183.5
French Franc 10	0.918	1.670	3.846	395.1	10.	3.265	4.275	2133.	2.067	72.51
Swiss Franc	0.281	0.511	1.178	121.0	3.063	1.	1.309	653.3	0.633	22.21
Dutch Guilder	0.215	0.391	0.900	92.48	2.340	0.764	1.	499.2	0.484	16.97
Italian Lira 1,000	0.430	0.783	1.803	185.2	4.688	1.531	2.003	1000.	0.969	33.99
Canadian Dollar	0.444	0.808	1.860	191.1	4.837	1.579	2.067	1032.	1.	35.07
Belgian Franc 100	1.266	2.303	5.304	544.9	13.79	4.503	5.892	2942.	2.851	100.

FT LONDON INTERBANK FIXING (11.00 a.m. MAY 17)

3 months U.S. dollars		6 months U.S. dollars	
bid 14 7/16	offer 14 9/16	bid 14 3/8	offer 14 1/2

The fixing rates are the arithmetical means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

May 17	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	13½-13¾	14¾-15	16-17	9-9¼	1½-1¾	8⅛-8¼	30-32	18-20	14¼-16¼	14¾-15¾	6⅞-6⅞	20½-22
7 days' notice	13½-13¾	14¼-15	16-17	8⅞-9⅛	1⅞-2	8¼-8⅜	28-30	21-23	16-19¼	16-17	6⅝-6¾	21-22½
Month	13⅝-13¾	14¼-14⅝	16-16⅛	8⅞-9⅛	2¼-2½	8¾-8⅞	28½-29½	22½-23½	16⅛-17¼	14¾-15¼	7-7⅛	20¼-22½
Three months	13⅝-13¾	14⅝-14¾	15⅞-16⅛	8¾-9	3⅛-3¼	8⅞-9	25½-28½	22-23	16-16¼	14½-14¾	7-7¼	20½-22½
Six months	13⅝-13¾	14⅜-14⅝	15¾-16	8⅝-8¾	4¼-4½	8⅞-9	22½-23½	23-24	16-16¼	14¼-14⅝	7-7¼	20¼-22¼
One Year	13¼-13⅜	14¼-14½	15¼-16	8⅜-8½	4¾-4⅞	8⅝-8¾	20¼-21	23¼-24	15½-16	14¼-14⅝	6¾-7	17¼-19¼

SDR linked deposits: one month 13 9/16-13 15/16 per cent; three months 13⅛-13½ per cent; six months 13-13⅜ per cent; one year 12⅞-13 per cent.

ECU linked deposits: one month 14 9/16-14 15/16 per cent; three months 14¼-14½ per cent; six months 13 11/16-14 3/16 per cent; one year 13¼-13⅝ per cent.

Asian $ (closing rates in Singapore): one month 14⅝-14⅞ per cent; three months 14⅜-14½ per cent; six months 14⅜-14½ per cent; one year 14¼-14⅜ per cent. Long-term Eurodollar two years 14⅝-14⅞ per cent; three years 14⅞-15 per cent; four years 14⅞-15⅛ per cent; five years 15-15¼ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit: one month 14.30-14.40 per cent; three months 14.10-14.20 per cent; six months 14.05-14.15 per cent; one year 13.95-14.05 per cent.

MONEY MARKETS

London rates firm

UK clearing bank base lending rate 13¼ per cent (since March 12)

Short-term interest rates had a firmer tone in the London money market yesterday, with three-month interbank funds rising to 13 7/16 per cent from 13 5/16 per cent. Overnight money also finished very tight at 20 per cent, following signs that the market remained short of credit after the assistance provided by the authorities.

In the morning the Bank of England forecast a shortage of £650m, and said the major factors were: bills maturing in official hands and a net market take-up of Treasury bills —£470m, coupled with Exchequer transactions —£260m. These were partly offset by a fall in the note circulation +£210m.

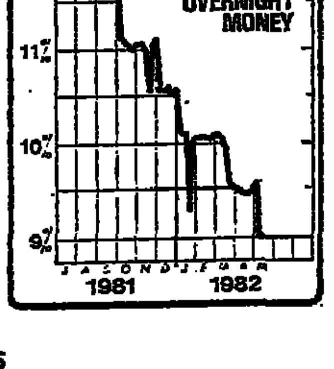
Before lunch the authorities gave £320m of help made up of £32m bank bills in band 1 (up to 14 days maturity) at 13¼ per cent; £117m bank bills in band 2 (15-33 days) at 13 per cent; £144m bank bills and band 3 (34-63 days) at 12⅞ per cent; and £27m bank bills in band 4 (64-84 days) at 12⅞ per cent.

In the afternoon the Bank of England gave further assistance of £313m, by way of £48m bank bills in band 1 at 13¼ per cent; £67m bank bills in band 2 at 13 per cent; £18m Treasury bills in band 3 at 12⅞ per cent; £5m local authority bills in band 3 at 12⅞ per cent; and £60m bank bills in band 3 at 12⅞ per cent; £31m Treasury bills in band 4 (64-91 days) at 12⅞ per cent; and £4m local authority bills in band 4 at 12⅞ per cent; plus £90m bank bills in band 4 at 12⅞ per cent.

Total help was £633m, but was probably not enough to take out the full shortage.

In New York the Federal Reserve Bank added $3bn through a repurchase agreement for a customer account. At the time the Federal funds overnight rate was steady at 14⅝ per cent, after a very quiet morning.

In Frankfurt call money eased slightly to 8.975 per cent from 9.025 per cent as the money market received DM 4.2bn from the Bundesbank through the securities repurchase agreement announced on Friday. Two repurchase agreements are now in operation, supplying a total of DM 12.5bn in extra liquidity. This has helped reduce the commercial banks' Lombard borrowing to DM 4.3bn from DM 12.3bn a week earlier.



EUROCURRENCIES

$ rates ease

Eurocurrency interest rates showed little change in quiet trading yesterday. The meeting in London of the International Forex Association probably had a dampening influence on trading, while the rise of only $800m in last week's U.S. M-1 money supply came as something of a surprise, against earlier estimates of up to $4bn.

This led to an easing of Eurodollar rates by about ⅛ pc in early trading, but was followed by a slight recovery later in the day. Eurosterling rates had a firmer tone however, on increased nervousness as the Falklands dispute appeared to be reaching a crucial stage, and this resulted in a small narrowing of the dollar's forward discount against the pound.

Euro French franc rates remained very firm, increasing the franc's forward discount against the dollar.

Swiss franc rates continued to ease however, helping to keep the U.S. currency firm against the Swiss unit in the spot market.

MONEY RATES

NEW YORK

Prime rate	16½
Fed. funds (lunch-time)	14⅝-15
Treasury bills (13-week)	12.28
Treasury bills (26-week)	12.29

GERMANY

Lombard	9.00
Overnight rate	8.975
One month	9.225
Three months	9.125
Six months	8.85

FRANCE

Intervention rate	18.0
Overnight rate	16.375
One month	16.1875
Three months	16.25
Six months	15.4375

JAPAN

Discount rate	5.5
Call (unconditional)	7.15625
Bill discount (three-month)	7.15625

LONDON MONEY RATES

May 17 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	13-20	13½	—	—	13¼-13¾	12½-13	—	—	—
2 days notice	—	—	13⅜-13½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	13⅜-13⅝	13⅜-13½	—	—	13¾-14	13	—	—	—
One month	13⅝-13 11/16	13¼-13 7/16	13¼	13¾-13⅝	13¼	13¾	12⅞-13	13 1/32-13 1/16	13 1/32	13¼
Two months	13⅜-13¼	13¼-13 7/16	—	13⅝-13½	13⅝	13¾	12¾-12⅞	12⅞-12 29/32	12⅞-12 29/32	13½
Three months	13¼-13⅛	13¼-13⅜	13¼	13⅝-13¼	13⅜	13⅝	12½-12¾	12⅝	12⅝-12 21/32	13⅛
Six months	13⅛-13	13 5/16-13⅜	13¼	12¾-12½	13⅜	—	—	—	12 9/16-12⅝	12¾
Nine months	13⅛-13	13 5/16-13⅜	—	13½-13⅛	13⅜	—	—	—	—	—
One year	13⅛-13	13 5/16-13⅜	13½	13⅜-13	13⅜	—	—	—	—	—
Two years	—	—	14	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 14 per cent; four years 14 per cent; five years 14 per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12 11/16 per cent; four months trade bills 13⅛ per cent.

Approximate selling rates for one month Treasury bills 12 29/32 per cent; two months 12 27/32 per cent; three months 12½-12 9/16 per cent. Approximate selling rate for one month bank bills 12 29/32-13 per cent; two months 12 27/32-12 25/32 per cent and three months 12 9/16-12 19/32 per cent; one month trade bills 13½ per cent; two months 13⅜ per cent; three months 13 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from May 1 1982. London and Scottish Clearing Bank Rates for lending 13 per cent. London Clearing Bank Deposit Rates for sums at seven days' notice 10-10½ per cent. Treasury Bills: Average tender rates of discount 12.5023 per cent.

Certificates of Tax Deposit (Series 5) 13¼ per cent from from May 14. Deposits withdrawn for cash 11 per cent.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

هكذا من الأصل

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Abbey Life Assurance Co. Ltd.
1-3 St. Paul's Churchyard, EC4. 01-248 9111

Property Fund	226.5	238.5		—
Equity Fund	53.0	55.8	+0.2	—
Property Acc.	265.4	279.4		—
Equity Acc.	50.7	53.4	+0.2	—
Selective Fund	150.3	158.3	+0.4	—
Money Fund	165.3	174.1		—
Convertible Fund	177.3	186.7		—
Prop. Fd. Ser. 4	209.2	220.3		—
Equity Ser. 4	56.6	59.6	+0.2	—
Man. Ser. 4	200.9	211.5	+0.3	—
Money Ser. 4	150.0	157.9		—
Conv. Ser. 4	150.1	158.1		—
Fixed Int. Fd. Ser. 4	117.1	123.3		—
American Ser. 4	112.1	118.0		—
High Inc. Ser. 4	117.4	123.6	+0.4	—
Indexed Inv. Series 4	95.7	100.8		—
Pension Property	315.7	332.4		—
Pension Equity	289.4	304.7		—
Pension Selective	151.2	159.2	+0.3	—
Pension Managed	295.3	310.9		—
Pension Security	219.2	230.8		—
Pension Fixed Int.	112.8	118.8		—
Pension Indexed Inv.	95.8	100.9		—

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1. 01-437 5962

Equity Fd. Acc.	324.0	341.0	−0.7	—
Fixed Int. Acc.	194.6	204.8	+0.3	—
Gtd. Money Fd. Ac.	155.2	163.4	+0.1	—
Intl. Man. Fd. Acc.	148.8	156.6	+0.2	—
Intl. Fxd. Int. Fd.	108.5	114.2	+0.1	—
Prop. Fd. Acc.	158.6	166.9	+0.1	—
M'ple Inv. Acc.	253.5	266.8	−0.1	—
Equity Pen.Fd.Acc.	446.1	469.5	−1.2	—
Fixed I.Pen.Acc.	311.9	328.2	+0.8	—
G'td.Mon.Pen.Acc.	214.0	225.3	+0.1	—
Intl.Mn.PnFdAcc.	172.7	181.7	+0.3	—
Prop.Pen.Acc.	208.7	219.7	+0.1	—
M'ple Inv.Pen.Acc.	367.9	387.2	−0.2	—

AMEV Life Assurance Ltd.
2-6, Prince of Wales Rd., B'mouth. 0202 762122

Managed Fd.	199.4	210.1		—
Money Fd.	142.6	150.1		—
Equity Fd.	155.7	164.1		—
Fixed Int. Fd.	94.8	99.9		—
Property Fd.	152.2	160.4		—
Managed Pen. Fd.	175.3	184.7		—
Equity Pension Fd.	102.2	106.7		—

Crown Life—Continued

St. George Mangd. Fd.	109.1	114.8		—
Lincs & Gen. Fd.	120.5	126.8		—
Sage Fd.	87.4	92.0		—
Heritage Fd.	97.4	102.5		—
DBS Managed	102.6	108.0		—
Crown. Brit. Inv. A		217.2		—
Pens. Mngd. Fd.	147.5	152.3		—
Pens. Mang'd. Acc.	110.0	115.7		—
Pens. Mang'd. Init.	106.5	112.1		—
Pens. Equity Acc.	102.4	107.7		—
Pens. Equity Init.	99.1	104.3		—
Pens. Fxd. Int. Acc.	106.1	111.6		—
Pens. Fxd. Int. Init.	102.7	108.1		—
Pens. Money Acc.	107.4	113.0		—
Pens. Money Init.	104.1	109.5		—

Crusader Insurance PLC
Tower Hse, 38 Trinity Sq. EC3N 4DJ 488 2323

Growth Prop May 4	100.1	110.1		—
Managed Pens Apr 14	112.1	118.1		—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	77.4	80.3	−0.9	6.30

Equity & Law Life Ass. Soc. Ltd.
Amersham Road, High Wycombe. 0494 33377

UK Equities Fund	187.9	197.7	−0.3	—
Higher Inc. Fund	119.7	125.9	−0.6	—
Property Fund	190.6	200.6		—
Fixed Interest Fund	160.5	167.8	+0.7	—
Index Linked Secs Fnd.	93.0	97.8	+0.2	—
Gtd. Deposit Fund	134.3	141.3		—
Nth. America Fund	108.4	114.1	−0.5	—
Far East Fund	90.6	95.3	+0.6	—
International Fund	102.4	107.7		—
Mixed Fund	167.3	176.1	+0.2	—

Equity & Law (Managed Funds) Ltd.
Amersham Road, High Wycombe. 0494 33377

Ind. Pen. Equity	190.4	200.4		—
Ind. Pen. Property	142.9	150.4		—
Ind. Pen. Fixed Int.	136.0	143.1		—
Ind. Pen. Indx Lk. Sts.	101.4	106.7		—
Ind. Pen. Overseas	152.9	160.9		—
Ind. Pen. Cash	134.2	141.2		—
Ind. Pen. Balanced	152.9	160.9		—
Ind. Pen. Dep. Admn.	134.0	141.0		—

Prices at May 13. Next settlement June 10.
Group Pension Funds—Prices Available On Request.

Family Assurance Society

OFFSHORE AND OVERSEAS

NOTES

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked & Variable Rate

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

LOANS—Continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

BANKS & H.P.—Cont.

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCE

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
120	75	Falcon Rh.50c	98	......	Q25c	10.3	20.7
33	20	Wankie Col. Z$1	25	......	Q3c	1.2	10.4
21	16	Zam.Cpr.SBD0.24	18	......	—	—	—

Australian

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
23	10	ACM 20c	19	......	—	—	—
7	2½	Argosy Gold NL 25c	3	......	—	—	—
151	62	Bond Corp.	68	−2	gQ10c	2.3	9.4
82	63	Bougainville I Kina	80	+1	Q6½c	1.2	5.0
192	154	CRA 50c	190	+2	Q5c	—	1.6
16	10	Carr Boyd 20c	13	......	—	—	—
56	22	Central Pacific	28	......	—	—	—
26	10	Coltus Pacific N.L.	14	−1	—	—	—
27	14	Eagle Corp. 10c	20	......	—	—	—

Tins

Copper

Miscellaneous

NOTES

REGIONAL MARKETS

OPTIONS

3-month Call Rates

"Recent Issues" and "Rights" Page 31

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Tuesday May 18 1982

NEI in Taiwan power station deal

BY MARK WEBSTER

NORTHERN Engineering Industries yesterday pulled off its second major foreign deal in less than a week when it signed a letter of intent to provide Taiwan with more than £80m worth of equipment for a nuclear power station.

The deal represents an important breakthrough for the Newcastle upon Tyne power equipment group in the water-cooled nuclear reactors sector. It greatly enhances NEI's credibility in the world turbine generator market.

Assuming the letter of intent is transformed into a firm contract—and NEI said it expected contracts to be signed very shortly—the group will supply two 1,020 Mw turbine generators, the biggest it has ever sold abroad, to the Taiwan Power Company (Taipower) for the Yenliao nuclear power station.

NEI believes the deal will enhance its chances of winning contracts in Britain if the Sizewell B, Suffolk, pressurised water reactor power station project goes ahead, as the Central Electricity Generating Board is recommending.

The Taiwan deal has been won against stiff competition from General Electric and Westinghouse of the U.S., Brown Boveri of Switzerland and Mitsubishi and Hitachi of Japan.

No details of the financing were released, but the Export Credits Guarantee Department is known to have covered some 85 per cent of the British content of the deal.

NEI said the successful running of the smaller Candu reactor in Ontario, Canada, in which it had played a large part, was a key factor in winning the Taiwan contract.

NEI signed a contract at the weekend for a complete coal-fired power station in northern India. NEI will engineer and manage the total package, which also involves GEC and Babcock.

GEC has orders for more than £40m and Babcock for over £15m for turbine generators and coal handling plant, while NEI has secured the remainder of the £231.5m worth of British goods and services.

NEI said the contracts showed the value of the group's £21m investment in new production facilities during recent years and the technological advances it had made.

The work on the Taiwan project will be concentrated on the NEI Parsons plant at Newcastle upon Tyne, while the Indian contract will provide work at a number of NEI factories in the east Midlands, Scotland and the north east of England.

ICL nears major order for PAYE computers

By Guy de Jonquieres

THE INLAND REVENUE is expected to confirm shortly that it will go ahead with plans to order computers worth £50m from ICL, Britain's largest computer manufacturer, following the successful completion of performance tests at a pilot installation.

The test results are an important boost for ICL, which was awarded the order late in 1980 on a single-tender basis after months of anguished Government discussions. The Treasury had wanted to open the bidding to IBM and other big U.S. companies which, it argued, could do a better job.

Because the model 2966 computers proposed by ICL were new and untried, the Government insisted that the contract be conditional on the company running a demonstration project to prove to the Inland Revenue that it could provide the required performance.

The Inland Revenue doubted at first whether the company could meet its needs, Mr Steve Matheson, the assistant secretary in charge of the project, admitted yesterday. "The success of this phase must give a good deal more confidence in the next phase of ICL's expansion," he said.

The company hopes that the Inland Revenue's positive verdict will make it a more credible bidder when it competes with IBM and other foreign suppliers for future large Government orders. The first of these is likely to be for the modernisation of the Driver and Vehicle Licensing Centre in Swansea.

The Inland Revenue plans to computerise its Pay As You Earn (PAYE) system by installing about 18,000 terminals at almost 600 local tax offices around the country. The terminals will be linked to 44 large ICL computers at 12 regional centres, which will store tax records and process information.

The new system is expected to result in faster and more efficient processing of tax returns and to reduce clerical staff by almost 7,000. It could also, if the need arose, handle self-assessment and the collection of local income tax.

Advances in technology since the order was placed are expected to result in a more powerful and versatile system than originally envisaged. In particular, ICL expects to be able to provide direct on-line communications between tax centres in different regions, which could not have been linked under the earlier plan.

The first phase of computerisation will start next year, when the Inland Revenue will connect 14 tax offices in the West Midlands to a computer based in Telford. It will take a further five years to extend the system to tax offices in the rest of the country.

Slight fall in April retail sales volume

By Max Wilkinson, Economics Correspondent

THE VOLUME of retail sales fell back 0.6 per cent in April compared with March to about what it had been in February, according to official figures yesterday.

Some retailers say, however, that there are signs of a modest improvement in business in the first two weeks of this month.

The Retail Consortium, which represents the majority of big store groups, said yesterday that trading conditions in April remained very tight with most retailers trying to maintain their sales volume by holding down prices. It did not expect much recovery in retail demand until the last quarter of this year.

Yesterday's Department of Trade figures show the provisional estimate of the volume index of sales for April at 106 (1975=100), about the same as in February last year, but 1.5 per cent above the level of April 1981.

The volume index for sales in the first three months of this year was 106.6, exactly the same as in the same period last year. Between the two quarters, sales increased by 8 per cent in value terms.

In the latest three months, February to April, the volume of sales was 0.5 per cent higher than the average for the previous three months.

The United Association for the Protection of Credit, the largest of the consumer credit organisations, said yesterday that consumers' demand for credit in April was 8 per cent higher than a year before. In the first four months of the year, demand for consumer credit was 6 per cent higher than in the same period of 1981.

This reflects the fact that people have been trying to maintain previous levels of consumption in spite of an average reduction against a year ago in the real value of their incomes.

Mr Tom McAuliffe, chairman of Argos, the catalogue stores chain, said yesterday: "I still see a few signs of recovery, but I am now less dogmatic about when this may eventually occur." The most buoyant demand had been for garden furniture, garden tools, video and audio equipment, office equipment and sports equipment.

Mr David Johnson, chief executive of Rumbelows, the electrical retailing chain, said: "There is some business out there in the High Street, but we are all having to sell at very keen prices to get it." Sales in the last two weeks looked quite encouraging, he added.

Soviet deposits in West increase

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE Soviet Union sharply increased its deposits in the Western banking system by $3.9bn (£2.1bn) in the final quarter of last year. This reversed sharp declines earlier in the year, according to latest figures from the Bank for International Settlements.

By the end of 1981 Soviet deposits with Western banks amounted to $8.4bn, only $200m short of their level at the end of 1980. In mid-1981 they fell to $3.6bn, which was widely believed to have resulted from financial aid to Poland.

The Basle-based bank, a leading monitor of international banking flows, gives little clue to the reasons for the rebuilding of Soviet deposits at the end of the year. It does, however, say Moscow was a heavy seller of gold in the last quarter.

Only a small portion of the increased deposits came from heavier borrowing abroad. The bank's figures show that Soviet borrowing from Western banks rose by $525m in the last quarter to $15.9bn though the total was much higher than the $13.4bn in borrowings recorded at the end of 1980.

The Soviet Union's financial position has been subject to close scrutiny by international banks since the Polish debt crisis. Banks became increasingly sceptical of Moscow's ability to bail out any of its satellites in financial trouble.

Two of these, Poland and Romania, showed small declines in their borrowing from Western banks last year. Poland's debt to the banks fell to $14.7bn from $15.1bn, while Romania recorded a drop of $543m to $4.75bn.

Overall, borrowing from Western banks by Eastern European countries rose last year to $60.78bn, from $59.81bn in December 1980.

Bankers take up Opec slack, Page 28

Last bid for peace

Continued from Page 1

The timing of the end of the UN talks, she said, was dependent on "how long the UN Secretary General, a person of total integrity, thinks he can go on. My guess is that we shall know this week whether we are going to get a peaceful settlement or not."

This implies that Britain will delay any major military decision until the Secretary General calls an end to the talks.

The Prime Minister claimed that Argentina had not succeeded in its attempt to play for time since "no military decision had been held up because of our negotiation, not one single one."

Mrs Thatcher indicated some of the continuing anguish being experienced by senior Ministers about military action when she repeatedly referred, in horrified terms, to reports that President Leopoldo Galtieri had said he was prepared to sacrifice 40,000 lives for the islands.

On the papal visit, which she stressed was pastoral, Mrs Thatcher said she hoped "very, very much that he (the Pope) will come and that he will get a warm welcome."

There was a lull yesterday at Westminster as the UN and EEC talks continued but there is due to be a full Cabinet meeting this morning, probably followed by a ministerial statement in the Commons.

The signs last night were that the opposition parties were taking a critical look at the Government's negotiating position and its responsibility for any breakdown.

Mr Michael Foot, the Labour leader, last night wrote to the Prime Minister repeating his call for a full report to the Commons on the terms emerging from the UN talks before the Government took any decision on military escalation.

He suggested an undertaking that there should be no escalation for, say, 36 or 48 hours after the end of negotiations. A similar request last week was rejected by the Prime Minister on the grounds that it was the Government's right to decide and then to justify its actions to the Commons.

Mr Denis Healey, shadow Foreign Secretary, claimed yesterday that there was still a real hope of a peaceful settlement. He said there were signs that real progress was being made in the talks and that Argentina was prepared to accept key conditions on withdrawal and on no preconditions about sovereignty as laid down by the UK last week.

For the SDP/Liberal Alliance, Mr David Steel stressed that it was essential that, if negotiations broke down and full-scale military action took place, details of the proposals and how they came to fail should be made public.

He warned against the activities of war mongers.

Mr Roy Jenkins backed the Government's position but also warned against talk about armed conflict and the danger of missing a peaceful solution. He said that to miss the chance of such a solution for party political motives would be a grave responsibility upon the Government.

"But the approach must be a two-way process and Mrs Thatcher must understand that the Conservative Party is not the nation."

● *Sir Anthony Parsons said* after talks in New York yesterday with Sr Javier Perez de Cuellar, the UN Secretary General: "We are still engaged in a very serious, determined, urgent effort to achieve a negotiated settlement." He would not amplify, except to say that he had come with instructions to continue negotiations.

John Wyles writes from Luxembourg: Italian opposition looked likely last night to rob Britain of its urgently needed agreement to renew the European Community's ban on imports from Argentina.

Instead, EEC governments may each apply their own measures against Argentine imports, without any Italian participation.

This setback for the UK emerged as EEC Foreign Ministers met late into the evening in Luxembourg in an effort to salvage some semblance of unity on the issue.

Following a serious erosion of domestic Italian support for continuing the sanctions, Sig Emilio Colombo is said to have told his colleagues that Italian participation in further sanctions was out of the question.

The alternative approach of nine national import bans would be deeply unsatisfactory for the UK because it would take days, if not weeks, to put these measures into effect. As a result, Italy was under some pressure last night to allow renewal of the Community ban, while withdrawing from participation in it.

Any undermining of a united EEC approach could add to British public antipathy to the EEC, while the Community would lose credibility through failing to stay true to a policy which, a month ago, was trumpeted as a glorious expression of solidarity.

Italian officials explained that, if Sig. Colombo supported renewal of the Community ban, his government would face a parliamentary vote of censure and the coalition government led by Sig Giovanni Spadolini would be likely to fall.

Italy supported sanctions a month ago on the asumption that there would be no serious military conflict. Sig Colombo said the sinking of Argentine cruiser General Belgrano had had a dramatic effect on Italian opinion

The Socialist members of the Rome coalition had turned against the import ban and so had sections of the dominant Christian Democrats.

UN report warns of stagnation danger

BY MAX WILKINSON,

THE WORLD is in danger of being sucked into a downward spiral of economic stagnation resulting from excessive anti-inflation policies and high arms spending, says an unpublished United Nations report.

The 19-page document by the UN committee for development planning is highly critical of the domestic and international policies of the U.S. and other, unnamed, "hard line" industrial powers.

It says: "Attempts to revive the developed market economies of industrialised countries by solving their domestic problems of stagflation first and postponing attention to the needs of the international economy have proved self-defeating."

The committee concludes that "present trends in the world economy point to the danger of further contraction and stagnation, entailing extensive human suffering in many of the poorest developing countries as well as the risks of widespread political instability."

It says the developing countries absorb between a third and a half of the total exports from the U.S., Japan and Europe. Deflation in the West, with high interest rates and falling commodity prices has put a severe strain on the Third World and therefore reduced the market for Western exports.

"This inter-dependence of the world economy is making for a downward spiral which is particularly ominous against the background of mounting international tension."

The committee notes that last year world development came to a virtual halt. "The per capita output of the developing world as a whole fell for the first time since the great wave of decolonisation" that has taken place since the last war.

It says the stagnation of the under-developed countries is in marked contrast with what happened in the last recession in the mid-1970s when the growth momentum of the Third World was maintained.

This extremely sombre analysis is in sharp contrast to the cautiously optimistic tone of discussion last week between ministers and central bankers at the International Monetary Fund development committee's meeting in Helsinki.

There, many of the industrial powers including the U.S., West Germany and the UK were encouraging about their success in curbing inflation, and believed that this provided a basis for future growth.

However, the UN committee says: "Experience in many countries suggests that attempts to check cost inflation by demand restriction will be largely ineffectual."

It suggests that more attention should be given to the possibility of using incomes policies to control real incomes.

In the short run the way out of the impasse, it believes, should be through much more vigorous policies of aid and support from the World Bank and the IMF.

It notes that Special Drawing Rights, the IMF's international reserve currency, represented only 4 per cent of the world's non-gold reserves last year compared with 8 per cent in 1972.

The committee suggests a major issue of SDRs to help the reserves of poorer countries and says: "No convincing case can be made that such SDR allocations would be inflationary."

It wants a substantial relaxation in the conditions attached to some IMF loans, and provision for arbitration by a third party where these conditions are thought to be too strict. It says the fund has often insisted on harsh programmes for cutting demand in its "client" countries which have injured their growth prospects and therefore contributed to the downward spiral of the world economy.

The committee believes a major increase in the World Bank's lending for development projects is needed—a view which runs directly counter to the present restrictive policies of the U.S.

"The contraction of the world economy is a threat not only to world prosperity, but to world security, and the arms race enhances the threat to both," the report says.

The paper, entitled World Economic Recovery and International Monetary and Financial Co-operation, will be presented to the UN Economic and Social Council in Geneva next month.

Weather

UK TODAY

TEMPERATURES near or above normal. Showers. Cloudy. Sunny intervals.

London, S.E., E., Central S. England, Midlands, Channel
Fog. Sunny intervals. Showers. Max 18C (64F).

S.W. England, Wales
Sunny intervals. Showers. Max 16C (61F).

Aberdeen, N.E. Scotland, Orkney, Shetland
Cloudy, misty. Showers. Max 12C (54F).

Rest of England, Scotland, IoM, N. Ireland
Cloudy. Sunny intervals. Showers. Max 17C (63F).

Outlook: Warm. Dry with sunny intervals. Rain later.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	20	68	Locarno	C	22	72
Algiers	F	22	72	London	C	19	66
Amsdm.	S	22	72	L. Ang.†		—	—
Athens	C	19	66	Luxmbg.	F	19	66
Barclna.	S	20	68	Luxor	S	40	110
Beirut	S	22	72	Madrid	F	23	73
Belfast	F	14	57	Majorca	F	23	73
Belgrd.	S	24	75	Malaga	S	21	70
Berlin	S	27	81	Malta	S	24	75
Biarritz	S	19	66	M'chstr.	C	17	63
Bmghm.	C	14	57	Melbne.	S	21	70
Blackpl.	F	14	57	Mx. C.†		—	—
Bordx.	S	23	73	Miami†	F	24	75
Boulgn.	S	14	57	Milan	S	25	77
Bristol	C	16	61	Montrl.†	F	11	52
Brussels	S	22	72	Moscow	C	7	45
Budpst	F	25	77	Munich	S	21	70
Cairo	F	27	81	Nairobi	C	24	75
Cardiff	C	14	57	Naples	F	22	72
Cas'b'ca	S	20	68	Nwcstl.	F	16	61
Cape T.	S	19	66	N York†		—	—
Chcg.†		—	—	Nice	C	18	64
Cologne	C	19	66	Nicosia	S	21	70
Cpnhgn.	F	16	61	Oporto	C	17	63
Corfu	S	24	75	Oslo	S	17	63
Denver†		—	—	Paris	S	22	72
Dublin	R	11	52	Perth	C	16	61
Dbrvnk.	S	21	70	Prague	S	25	77
Ednbgh.	S	17	63	Reykjvk.	C	9	48
Faro	S	21	70	Rhodes	S	19	66
Florence	S	25	77	Rio J'o†		—	—
Frankft	F	21	70	Rome	S	22	72
Funchal	C	21	70	Salzbrg.	S	26	79
Geneva	C	19	66	S F'cisco†		—	—
Gibraltar	S	21	70	S'tiago†		—	—
Glasgow	F	15	59	Stckhm.	S	20	68
G'rnsey	S	15	59	Strasbg.	F	22	72
Helsinki	S	21	70	Sydney	S	23	73
H. Kong	F	28	82	Tangier	F	21	70
Innsbrk.	F	23	73	Tel Aviv	F	22	72
Invrnss.	C	14	57	Tenerife	F	24	75
I.o.Man	F	12	54	T'ronto†	F	14	57
Istanbul	R	12	54	Tunis	S	25	77
Jersey	S	18	64	Valencia	F	23	73
Jo'burg	S	21	70	Venice	S	25	77
L. Pims.	S	22	72	Warsaw	S	24	75
Lisbon	F	16	61	Zurich	F	18	64

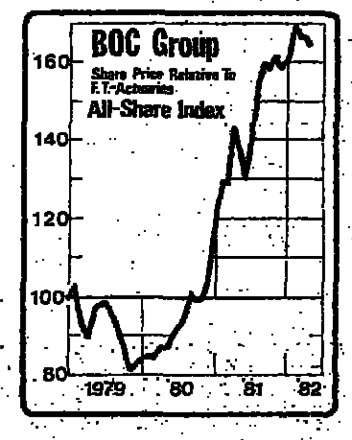
C—Cloudy. F—Fair. R—Rain. S—Sunny.
† Noon GMT temperatures.

THE LEX COLUMN

Whitbread downs fewer pints

Even though gilt-edged were quietly steady yesterday, the uncertain basis of equity prices *during the Falklands crisis* was vividly shown by the FT 30-Share Index, which was lower at every calculation. The day's loss of 14.8 points wipes out the gains of the past two weeks.

Index fell 14.8 to 575.8



Whitbread

Whitbread has managed to push up its profits in the year to February despite an alarming drop in beer volume. Stringent cost-cutting, reflected *in extra-ordinary debits of £8.3m*, must take most of the credit for a 10.2 per cent gain to £73.2m pre-tax.

Whitbread has reduced its UK workforce by about 1,500 over the past year, which *represents an annual cost saving of* perhaps £10m. The impact of redundancy payments on the company's cash flow has been absorbed by the receipt of final instalments on the Chiswell Street site. So interest charges are slightly lower for the full year.

Whitbread has been more insistent than most of its competitors on maintaining gross margins and even admits, in an unbrewerly way, to a loss of market share. But if industry volume fell by almost 8 per cent in the second half of 1981, the company must now be worried about filling its production capacity, particularly since the Magor brewery is on-stream and contributing to a substantial rise in depreciation charges.

So Whitbread may now try to claw back some of the lost volume. It is already sounding optimistic about a recovery in demand, but a 6.3 per cent yield, on last night's price of 113p, *suggests that the market does* not yet share its confidence.

Unilever

Yesterday's first quarter figures from Unilever reinforced the stock market's perception that, after last year's exceptional earnings growth, 1982 will be a slower year. The share price is standing 10 per cent below the peak reached around the time of the *preliminary statement; yesterday* it fell 10p to 610p.

Expectations for the first quarter were perhaps unrealistic. Against a very strong period last year, Unilever has managed a fractional gain to £172.5m pre-tax in the face of considerable pressure on consumer spending. But there has still been an underlying deterioration in the trading performance. Interest charges have fallen thanks to the release of working capital and tighter cost control. There may also have been a net profit on exceptional items, which include a book gain from the Lintas sale.

The deterioration of U.S. consumer demand must be affecting the current quarter and *the outlook for volume in* Western Europe is very flat. Even allowing for productivity improvements in the mature markets, Unilever will again be counting on non-OECD countries for much of its earnings growth. Some areas remain fairly buoyant but Nigeria has gone sharply off the boil, as reflected in the contribution from associates, and may be hit further by import controls later in the year. So Unilever may not make much over £750m pre-tax in 1982. The shares, yielding an historic 6.3 per cent, have already adjusted.

BOC Group

The BOC Group's reported profits continue to rise at a brisk pace, with an increase of a third to £44.9m in the six months to March, after full replacement cost depreciation. The fall of sterling and the absence of above-the-line redundancy costs both flatter the comparison, but there is an underlying improvement of more than 10 per cent. Considering the effect the U.S. recession is having on all North American business outside health care this is a pleasing performance.

The best results have come from Europe (largely the UK) where trading profits are up £8.8m to £22.2m, before any inventory gains. The disposal of loss-making businesses is part of the secret, as is better productivity, while over the last few months gas volume has been creeping steadily higher.

In the second half progress in Africa and Australia will slow down, and the U.S. remains poor. Last year BOC made two-thirds of its £94m pre-tax profits in the last six months, and it will do very well to match that second half this time. So £105m should be an acceptable figure for the year, with room for a good bounce in 1982-83.

Other companies may be hitting out at current cost accounting, but BOC is toying with the idea of producing its mainstream accounts on a CCA basis. Thanks to the benefit of the gearing adjustment, it makes rather larger profits under CCA than on its modified historical cost figures, while the rolling revaluations help to keep the capital gearing respectable: shareholders' funds are up £90m in the six months to March. Most importantly, the dividend is very well covered on the most exacting convention — at 165p, down 4p yesterday, the shares yield 4¾ per cent.

Land Securities

Feelings of unease over the property sector will have been soothed—though not removed—by Land Securities, whose 10.9 per cent revaluation, taking fully-diluted assets per share to 449p, surpassed most market estimates.

Land fell short, however, when it came to the dividend. The rise in pre-tax income from £54.9m to £67.4m would have covered the 15 per cent increase evoked by recent comparisons with the return available on index-linked stock; and in that perspective 10½ per cent is rather disappointing. But the effect on Hammerson's share price of its current rights issue cannot have been lost on Land, which is in any case heading into a period when income will advance more slowly, thanks to a heavier emphasis on cash-consuming development projects.

A modestly higher ratio of retentions will at least help Land to defer its next equity-raising exercise into 1984, when two major London developments should have been safely marketed. Meanwhile, the shares yield 4.3 per cent at 283p.